FINANCIAL TIMES

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Soviet agriculture's harvest of high hopes, Page 16

World news

India sets Bhopal claim at $3bn

India is claiming $3bn compensation from Union Carbide of the US on behalf of those killed or disabled by the gas leak at Bhopal almost two years ago.

This is the first time the Indian Government has named a figure and it did so in a submission to the Bhopal district court.

In an immediate and strong response, Union Carbide said that the figure was "without foundation". It was totally inconsistent with India's earlier demands, the company added, in an indirect reference to previous secret talks about a possible out-of-court settlement. Page 2

Rhine crisis worse

Municipal and industrial water supplies along the Rhine face further disruption after a new wave of pollution caused by the release of two tonnes of weedkiller by the West German chemical company, BASF.

Arab anger at US

Moderate Arab leaders, including President Hosni Mubarak of Egypt, joined in strong criticism of Washington over secret US arms shipments to Iran.

Andreotti inquiry

Italian Foreign Minister Giulio Andreotti is to be investigated over claims that he may have lied under oath during his evidence to a long-running trial of 468 Mafia suspects. Page 2

Sidon camps battle

Heavy artillery and mortar battles rocked Sidon as the struggle for control of three Palestinian refugee settlements in Lebanon escalated. Six Palestinians were reported killed.

Melbourne bomb

A car bomb killed a man outside the Turkish Consulate in Melbourne and the previously unknown Greek-Bulgarian-Armenian Front threatened more attacks on Turkish targets.

Helicopter rescue

Two RAF helicopters rescued the 28-man crew of the Hong Kong bulk carrier, Kowloon Bridge, when it got into difficulties off the Irish coast.

Romanian arms poll

Romanians went to the polls in an unusual referendum in which they were asked to approve an immediate 5 per cent cut in the country's military budget.

Japanese tremors

More than 40 earth tremors shook the Japanese island of Izu Oshima only hours after thousands of islanders and tourists were evacuated when the Mount Mihara volcano began to spew lava. It had been dormant for 12 years. Page 4

Paris teachers march

Tens of thousands of marchers thronged Paris in a demonstration called by France's main teaching unions to protest at the education policies of the Chirac government.

War trial date

An Israeli court brought forward the trial of John Demjanjuk, accused of being a guard responsible for murders at the Treblinka concentration camp, to this Wednesday after his lawyer complained about jail conditions.

Iraqi bomb toll

Iraqi jets killed 98 civilians in bombing raids on the two western Iranian cities of Bakhtaran and Eslamabad-e Gharb, according to the Iranian news agency.

Tyson's title

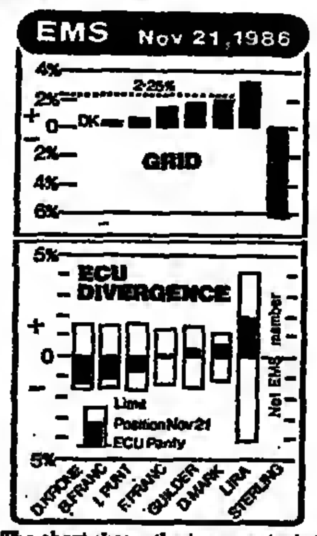
Mike Tyson (US) beat Trevor Berbick (Canada) in the second round at Las Vegas to take the World Boxing Council heavyweight title. He is the youngest holder at 20.

Business summary

El-Sayed drops Fermenta share sale

REFAAT EL-SAYED, main shareholder and chief executive of Fermenta, troubled Swedish health concern, has cancelled his planned sale of more than 3m Fermenta B shares to the public. Page 18

EUROPEAN Monetary System: The Danish krone lost ground in the EMS last week and was placed below the Belgian franc. Attention remained focused on the performance of the dollar and the threat of central bank intervention. Consequently the US unit remained above the DM 2.0 level but the D-Mark was still firm, with dealers seeing little chance of a cut in West German interest rates. The Danish krone finished the week at 63 per cent of its maximum divergence spread compared with 53 per cent the previous week.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

BARCLAYS National Bank, South Africa's biggest banking group, is to make an announcement about its future today which is likely to have an impact on Barclays Bank, the UK group which owns 40 per cent of Barclays National's equity. Page 22

TOKYO share prices closed higher in Saturday's half-day session with buying focusing on popular electronics. The Nikkei index was up 158.65 at 17,648.23.

SOVIET UNION is to build a 2,400 Mw hydro-electric power station in northern India as part of a economic and technical co-operation package between the two countries. Page 2

CANNON, fast-expanding maverick in film production and cinema ownership in the US and Europe, experienced a sharp decline in its share and bond prices in heavy Wall Street trading. Page 19

WORLD AIRWAYS, US pioneer of cut price air travel that became a victim of the price wars it helped create, reported sharply reduced third-quarter profits as a result of charges arising from its withdrawal from scheduled air services. Page 20

DEUTSCHE BANK, largest West German bank, will tomorrow examine the terms of its proposed takeover of the Italian subsidiary of Bank of America. Page 20

ELECTROLUX, world's largest domestic appliance maker, has set up its European base for microwave oven manufacture in Luton, England. Page 13

BREDERO, troubled Dutch construction group, unexpectedly disclosed that its would probably lose between Fl 60m and Fl 70m ($27m-$31m) this quarter due to Breevast, its property subsidiary. Page 29

VENEZUELA has offered international banks a plan to help private companies repay an estimated $8.9bn in foreign debt.

ZAMBIA'S currency, the kwacha, sank to a record low of K14.68 against the US dollar at the weekly foreign exchange auction. Page 4

Enrile sacked in move to head off Philippines coup

BY SAMUEL SENOREN IN MANILA

MRS CORAZON AQUINO, the Philippines President, yesterday dismissed Mr Juan Ponce Enrile, her controversial Defence Minister, following persistent rumours that soldiers loyal to him and supporters of the deposed president Mr Ferdinand Marcos were planning a coup against her fragile government.

Mr Enrile, who believed Mrs Aquino was too weak in dealing with the communist insurgency, was known to harbour ambitions to become president himself. His growing public criticisms of Mrs Aquino had helped destabilise her government.

Mr Enrile's sacking, which passed off quietly, was announced after General Fidel Ramos, the chief of the armed forces and an erstwhile ally of Mr Enrile, assured Mrs Aquino yesterday he would support the move. Mrs Aquino who accepted the resignations of all her cabinet ministers after a marathon meeting, named Mr Rafael Ileto, Mr Enrile's deputy, as his successor. Mr Ileto is a retired general and former diplomat.

The US, a major ally and financial supporter of the Philippines, yesterday welcomed President Aquino's success in aborting the coup and strongly reaffirmed its support for her government.

The US State Department issued a formal statement saying "We are pleased the coup attempt failed" and expressing America's "strong and unequivocal support for President Aquino and her administration."

Mr Enrile had jointly launched with General Ramos the coup against Mr Marcos last February which led to Mr Marcos decamping to Hawaii. This enabled Mrs Aquino, who said she previously had won an election against Mr Marcos, to assume the presidency. Mr Marcos had claimed he had won.

The critical factor in Mr Enrile's departure appears to have been the support of General Ramos and other senior officers.

Mr Enrile, 62, who was defence minister under Mr Marcos, had increasingly criticised Mrs Aquino for suspending the national assembly and setting aside the old Marcos constitution. These moves, Mr Enrile contended, meant Mrs Aquino should reaffirm her support through another election. However, it was Mr Enrile's vociferously expressed view that Mrs Aquino was soft on the communist insurgency of the New People's Army which really began to destabilise her government. Mr Enrile was against the current negotiations to arrange a ceasefire with the insurgents.

General Ramos at one time appeared to have supported Mr Enrile's stance but now seems to have altered his position. Yesterday General Ramos directed field officers not to take orders from Mr Enrile or any of his loyal officers.

"The armed forces," General Ramos announced, "stand behind the present government of President Corazon Aquino, having been elected and installed by the people and whose government is duly recognised by the international community."

General Ramos does, however, appear to have imposed at least one condition on his support and that is that Mrs Aquino adhere to the deadline for ceasefire talks with the insurgents at the end of this month.

Mr Enrile, who attended the cabinet meeting where he was dismissed, refused to comment on his sacking. He smiled and waved at reporters as he left the presidential palace.

There was no immediate reaction from elements in the armed forces who were loyal to Mr Enrile. He enjoys considerable support, particularly in his home region in the north of the country. There was speculation last night that he might withdraw to his home north of Manila and try to rally support for another coup attempt. However, this seems unlikely, given the dignified exit Mrs Aquino allowed him.

General Ramos shows his hand, Page 3

Austria's Socialist Party wins narrow victory

By Patrick Blum in Vienna

AUSTRIA'S Socialist Party maintained itself as the country's largest party in yesterday's general election despite a sharp fall in support. The Socialists' narrow victory is a blow to the conservative Peoples' Party which had hoped to take over as the biggest group in parliament.

In a surprising development the small right-wing Freedom Party, which campaigned fiercely against the two big parties, almost doubled its vote, making it the one real victor in yesterday's elections.

The Greens also made up some of the ground lost after damaging internal rows during the campaign and won a number of seats, entering parliament for the first time.

The size of the protest vote, which swelled support for the Freedom Party and for the Greens, is an indication of the erosion of public confidence in the two big parties, and it was a cause for concern at their headquarters last night.

Figures from the Interior Ministry gave the Socialists 43.33 per cent of the vote and 80 seats – down 10 seats from the outgoing parliament. The Peoples' Party won 41.29 per cent of the vote giving it 76 seats – down five seats. The Freedom Party won 9.72 per cent of the vote giving it 18 seats (up six seats) and the Greens with 4.83 per cent of the vote will have nine seats.

Mr Heinrich Keller, the Socialist Party central secretary, welcomed the results saying that the party had achieved its aim of remaining "the strongest party in votes and in seats."

There was an atmosphere of gathering gloom at the Peoples' Party headquarters as the results came in. It is a serious setback for Dr Alois Mock, the Peoples' Party leader, who now faces strong criticism from within his own ranks over the party's poor performance.

The Socialists' victory means that Dr Franz Vranitzky, the outgoing Socialist Chancellor, will be asked by the President, Dr Kurt Waldheim, to begin negotiations on forming a new government. Dr Vranitzky last night ruled out the possibility of a coalition with the Freedom Party and he is expected to seek agreement for a "grand coalition" with the Peoples' Party of the type that ruled Austria from 1945 to 1966.

The two parties face some tough negotiating over jobs. Mr Michael Graf, the Peoples' Party general secretary, said last night that his party was open to a grand coalition but agreement would depend upon the policies offered by Dr Vranitzky.

Bonn growth forecasts downgraded

BY DAVID MARSH IN BONN

THE WEST GERMAN economy is likely to show average real growth next year of only just over 2 per cent, significantly lower than the Government's confident forecast up to now of 3 per cent, according to a report to be published this morning from the official council of economic advisers.

The report, from the independent council of "five wise men," is likely to lead to fresh domestic and international pressure on the Government of Mr Helmut Kohl to take more action to stimulate the economy.

The "wise men" believe this year's average growth rate will be only about 2.5 per cent, below the Government's forecast of 3 per cent.

Their findings that growth prospects next year are less buoyant than expected have come as a surprise to West German Government officials. The report says that German exports – a considerable motor behind growth since 1982 – will now fail to impart much impetus to the economy as a result of the problems for industrial competitiveness caused by the sharp appreciation of the D-Mark.

Since it sees the West German upswing continuing fairly steadily in 1987, albeit at a lower rate than most forecasters had been expecting, the council does not recommend that the Government and Bundesbank (central bank) deviate from their current tight fiscal and monetary policy.

But its conclusion appears to lend weight to criticism, above all from the US administration, that the Kohl Government has failed to put the economy on a path to high growth.

With the campaign for general elections on January 25 now under way, the report is likely to be seized upon by the opposition Social Democratic party (SPD) as evidence that the Government has painted far too optimistic a picture of 1987 growth prospects.

The report deviates from the majority of current forecasts by forecasting a poor fourth quarter of 1986 following strong growth in the third quarter. This will put the economy on a low growth trajectory as it enters 1987.

Average growth in 1987 compared with this year is put at 2.2 per cent but the linear growth rate from the beginning to the end of 1987 is forecast at a higher 2.5 per cent.

Although the number of people in work will continue to rise next year, the report sees only a small drop in the unemployment rate. The number of registered unemployed is seen to fall by only 70,000–80,000 from the 1986 average of 2.23m.

The council's report makes clear that the German economy is suffering from the fading of favourable external factors.

Above all, the sharp increase in real incomes caused by the fall of the oil price and the rise of the D-Mark is starting to flag.

Congress set to call for curb on takeover tactics

BY WILLIAM HALL IN NEW YORK

PRESSURE is mounting in the US Congress for new legislation to curb hostile takeovers in the wake of the insider trading scandal involving Mr Ivan Boesky.

There were signs at the weekend that several leading Congressmen are not satisfied that legislative initiatives in the wake of the Boesky affair should be limited to strengthening laws on insider trading. They are planning to press for restrictions on the pace of US takeover activity, running at a record in recent months.

Senator William Proxmire, a Wisconsin Democrat and the new chairman of the Senate banking committee, and Mr Howard Metzenbaum, the new chairman of the Senate judiciary committee's antitrust subcommittee, have indicated that they believe insider trading, so-called "junk bond" or high-yield financing, and corporate takeover activity deserve urgent legislative action.

"This insider/merger mania has plunged our corporations deeply into debt," Senator Proxmire said. He said that, since 1950, there had been an increase in the average US corporation's debt-service ratios from 20 per cent of pre-tax income to 50 per cent of pre-tax income.

"In some case it just kills companies," said the Wisconsin senator. He cited the case of Unocal, a West Coast oil company which had fought off an unwelcome takeover by borrowing an extra $4bn to buy back its shares. "They have to pay $3m a day more just to service their debt. That money cannot go into research and development, manpower training, buying better equipment to enable them to compete more effectively," Senator Proxmire said.

He said he did not want to prevent takeovers but that in view of "the recent occurrences and the problem of mounting corporate debt, there is a good case to make it harder."

Among the proposals being considered by Senator Proxmire is one which would require a two-thirds majority vote by shareholders to approve a tender offer if the company's outside board of directors was opposed to it. The proposal would also allow 60 days between the tender offer and the vote by shareholders which would give a company more time to fight an unwelcome takeover bid.

Senator Proxmire said penalties for insider trading should be increased "not only on the individual but also on the firm".

Senator Metzenbaum wanted the law changed so that corporate raiders would have to disclose their purchase of shares in a target company two days after purchase rather than the present 10 days.

The growing pressure for new legislation to curb takeovers in the wake of the Boesky scandal is causing concern in some quarters of the US financial community. There is a feeling that politicians might be confusing concern about insider trading abuses with legitimate takeover activity.

Boesky steals Wall Street limelight, Page 18

UK wins support for economic optimism

BY PHILIP STEPHENS, ECONOMIC CORRESPONDENT, IN LONDON

THE British Government's optimism on the economic outlook wins support today from an upbeat assessment of prospects for manufacturing industry and a forecast that it will be able to cut the basic rate of tax.

The employers' organisation, the Confederation of British Industry says in its latest economic forecast that this year's pause in the economy has now come to an end and it predicts a strong upturn in manufacturing output. That view is reinforced by the CBI's latest monthly industrial trends survey, which shows a significant improvement in manufacturers' domestic and export orders.

A separate analysis of the outlook from the London Business School says that even after the large increase in public spending announced by the Government in its autumn statement a two percentage point cut in the basic rate of tax to 27 per cent remains feasible.

Less encouraging for the Government is the CBI's forecast that sterling will remain under pressure on foreign exchange markets next year, pushing the annual inflation rate significantly above official forecasts. The employers' group also predicts only a slight reduction in borrowing costs, with interest rates at the end of 1987 just one point lower than the present 11 per cent.

The CBI's optimism on output is based on the hope that the present consumer spending boom will be sustained throughout most of 1987 and that exports will pick up in reverse activity.

Continued on Page 18

Gatt nations widen international competition for state contracts

BY WILLIAM DULLFORCE IN GENEVA

THE WORLD'S biggest trading nations have decided to open up government business worth about $35bn a year to greater international competition. The countries plan to make it more difficult to discriminate against foreign suppliers, to ease rules for tendering and to make national procedures for awarding contracts more open to public scrutiny.

In addition the leasing, renting and hire purchase of equipment by government agencies will be subjected to international regulations. The changes will be implemented from January 1 1988, allowing governments time to adjust national legislation.

The US, the EEC and Japan were among the governments which agreed on Friday, after two years of talks to widen the scope of the Agreement on Government Procurement to which they subscribe under the General Agreement on Tariffs and Trade (Gatt).

They are also launching two programmes on extending the agreement's coverage. One will look into areas, such as telecommunications, not yet covered by the agreement.

It will also consider issues raised by the partial privatisation of nationalised companies. The other programme will study services contracts awarded by governments.

Business valued at about $25bn a year is directly covered by the agreement, which was one of the codes emerging from the last round in Tokyo of multilateral trade negotiations under Gatt. Most defence contracts are excluded.

About 20 countries agreed last week to apply more generous time limits to bids for contracts, making it easier for foreign suppliers to compete. The minimum period for the receipt of tenders is to be increased from 30 days to 40 days after the contract has been advertised.

The value of government purchases subject to the agreement will be lowered from SDR 150,000 ($180,000) to SDR 130,000. At the same time, rules for recurring contracts will be tightened so that government agencies will not be able to spread out purchases and thus escape coverage by the agreement.

Lists of qualified suppliers will in future be drawn up under tighter and more transparent procedures,

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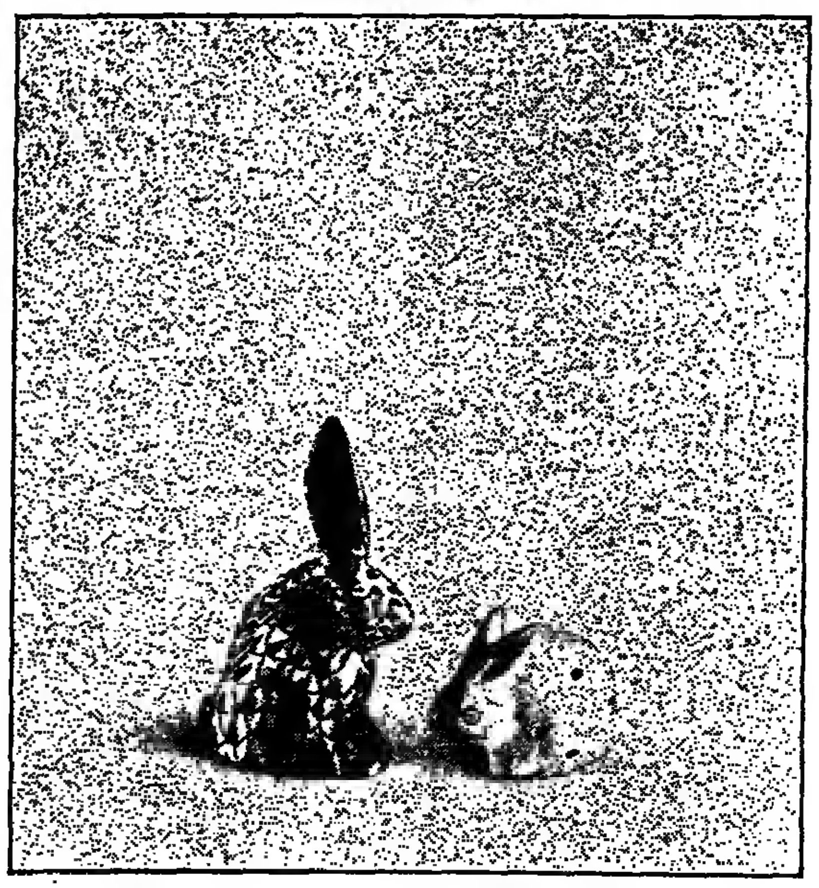

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EEC to consider UK plan on acid rain

BY WILLIAM DAWKINS

BRITAIN is to present a compromise plan to the European Economic Community's 12 member states today in an attempt to break a two-year deadlock on proposals to cut air pollution from power stations.

The plan, to be considered by community Environment Ministers meeting in Brussels, represents a big change from the UK's earlier scepticism over European Commission proposals for reducing emissions of sulphur dioxide and nitrogen oxide. These are widely held to be important causes of acid rain.

An EEC accord on acid rain now looks increasingly possible, if not today, then at the Environmental Ministers' next session early in 1987. Only eight months ago, Britain was the only member state unable to accept even a vague community commitment to cleaner air.

Since then, it has announced a £600m project to cut sulphur dioxide emissions at three of its power stations following the results of a research project on acid rain.

The plan to be put forward today by the UK as current EEC president is for a 30 per cent cut in sulphur dioxide emissions from all sources by 1995, rising to 45 per cent by 2005, with a target of 60 per cent.

This is milder than the commission's original proposals for a 60 per cent reduction in sulphur dioxide by 1993, with a 40 per cent cut in nitrogen dioxide over the same period. On the latter, Britain is proposing an agreement on suitable technologies for cutting down nitrogen dioxide, without specifying figures.

Member states have not had time to study the paper in detail, though it has received a positive response from the commission and from West Germany, normally a hardliner on environmental issues.

Some commission officials fear the plan represents scant progress on what several member states, including Britain, are already doing to cut air pollution. The Brussels authorities nevertheless value it as the possible foundation of a long-overdue agreement.

The Netherlands—which put forward stronger plans for sulphur dioxide reductions during its EEC chairmanship earlier this year — is understood to feel that the UK's paper is an unacceptably big step backwards from the commission's proposals. Britain's riposte is that its plan represents what is politically feasible.

The outlook for an acid rain accord today is further complicated by the fact that the proposal is squeezed into a 23-point agenda of record length for the environment council.

Other issues include car exhaust levels, where Denmark is likely to continue to oppose commission plans on the grounds that they do not go far enough, nuclear safety in the wake of the Chernobyl disaster, the Sandoz fire and motorcycle noise.

Ministers will be under pressure to avoid spending too much time on debates where there is little prospect of a quick agreement.

David Marsh previews a meeting of the OECD's Nuclear Energy Agency

Assessing the cost of a western Chernobyl

NUCLEAR experts from the main industrial countries will be meeting in Paris tomorrow with their thoughts concentrated on disaster.

The officials, gathering at the 23-nation Nuclear Energy Agency (NEA) of the Organisation for Economic Co-operation and Development, will be examining ways of improving international liability arrangements covering accidents at atomic power stations.

Municipal and industrial water supplies along the Rhine faced the threat of further disruption last night as a new wave of pollution, this time released by BASF, the giant West German chemicals group, moved down the river.

BASF on Friday emptied two tonnes of weedkiller from Ludwigshafen works.

Public concern in West Germany and the Netherlands over water pollution has already been inflamed by the pouring of toxic chemicals into the Rhine at the beginning of the month by the Swiss groups Sandoz and Ciba Geigy.

The BASF spillage consisted of dichlorophenoxyacetic acid. It was reported yesterday to be moving towards the North Sea in a wave 120 kilometres long. Highest concentration of the substance measured in the Rhine showed a level 600 times above that judged to be safe.

Mr Pierre Strohl, deputy director-general of the NEA, said that since the Chernobyl reactor accident in April, "it has clearly been shown that the current international nuclear third party regime is absolutely not appropriate."

Nuclear energy opponents say that if utilities operating atomic stations were to meet the full insurance cost of covering total damage liability in the case of an accident, the extra financial burden would act as a powerful disincentive to nuclear power.

At issue is the inadequacy of three international nuclear liability conventions signed by industrialised and some developing nations in the early 1960s.

Officials at the NEA say the agency's member governments — all the 24 OECD countries except New Zealand — will face a political decision in tackling the clear need to increase the cover of the agreements.

Governments now know that if a similar accident to Chernobyl occurred in a western country which had signed the liability conventions, most indirect damage claims would not be met.

This is because the Paris, Brussels and Vienna conventions provide compensation arrangements only for damage which can be shown to be the direct consequence of a nuclear accident, covering, above all, releases of radioactivity.

Indirect damage — the huge cost of evacuating people from their homes, health measures and other preventative action by government and local authorities, as well as loss of economic output — is not covered.

The exact cost to the Soviet authorities of clearing up in the aftermath of the accident, treating the victims and of evacuation and public health measures, will probably never be calculated. It could run into billions of dollars.

"How do you pay for the cost of people to be away from their homes for five years?" asked one NEA official.

As for the international repercussions, the limited release of radioactivity from the Chernobyl core, which set off near-panic preventative measures in West Germany, has landed the Bonn government with a bill, above all from farmers, for DM 250m (£89m).

This results from a unique feature of the country's atomic law which lays down that the state foots the bill for nuclear accidents where German citizens suffer damages for which no utility can be made liable.

The Soviet Union has refused to consider paying any compensation for foreign countries affected by the accident. It argues that other countries took exaggerated and unnecessary safety measures.

At present, damages payable under the international liability agreements are subject to a ceiling of 120m Special Drawing Rights (SDRs) (about $100m). This is due, however, to be raised to SDR 300m once a revision to the Paris and Brussels conventions, agreed in 1982 but not yet ratified by a few countries (including France), comes into force.

Another subject for discussion at the NEA concerns the varying levels of purely national nuclear accident liability in individual countries.

Electricité de France, for instance, the French state-owned utility, has a liability of only FFr 50m (£5.5m) covering nuclear accidents. Although in practice total compensation for a French nuclear accident would be a maximum of FFr 600m, this is clearly less than the amounts which could be necessary.

India claims $3bn from Union Carbide

By John Elliott in New Delhi

INDIA HAS announced an unexpectedly high figure of $3bn (£2.1bn) for compensation claims it is persuing against union Carbide of the US on behalf of people who were killed or disabled as a result of a lethal gas leak at the company's Bhopal pesticides factory in central India almost two years ago.

This is the first time the Indian Government has released a figure. It made the announcement in a submission to the Bhopal district court on Saturday.

In an immediate response from its US headquarters Union Carbide said the figure was "without foundation." It was also "totally inconsistent with the India nGovernment's earlier demands, said the company, referring indirectly to previous secret talks on a possible out-of-court settlement.

Union Carbide is believed to have made offers, rejectad by the Indian Government of only a few hundred million dollars.

The Government announced in the court that the leak caused 2,347 deaths and seriously injured between 30,000 and 40,000 people — higher figures than it has admitted in the past.

Kohl to drop freedom deal for terrorists

By Peter Bruce in Bonn

CHANCELLOR Helmut Kohl, the West German leader, wants to abandon plans to offer terrorists their freedom if they surrender and testify against accomplices.

This follows a weekend decision in which his junior coalition partner, the Free Democrats (FDP), withdrew promised support for the measure.

As expected, the FDP's main pre-election conference in Mainz on Friday and Saturday would agree only to offer reduced punishments to terrorists who co-operate. The party leader, Mr Martin Bangemann, had earlier agreed with Mr Kohl's Christian Democrat and Christian Social Union (CDU/CSU) to support the measure.

The original freedom-for-evidence proposal was part of a bigger package of anti-terror legislation that the government hoped to make law before Christmas and before the general election on January 25. The package also included a wider definition of what a terrorist is and Mr Kohl, disappointed at the FDP decision, said at the weekend that the rest of the package should be sped through parliament and the witness issue be dropped from it.

Deutsche Airbus answers critics on financing

By David Marsh in Bonn

THE WEST GERMAN partner in Europe's Airbus Industrie airliner manufacturing consortium has replied to critics of the financing of the four-nation grouping. It said the country's taxpayers had put DM 4.2bn (£1.5bn) into the programme.

Deutsche Airbus, a subsidiary of the country's leading aerospace group, Messerschmitt Boelkow Blohm, published the figure in response to claims from the Free Democratic Party (FDP), tha junior partner in the Bonn coalition, that German subsidies for Airbus had totalled DM 11.5bn.

This partly reflects rivalries before the country's ganeral election between the FDP and Mr Franz Josef Strauss, the head of the Christian Social Union (CSU), the Bavarian conservative party. Mr Strauss is chairman of Airbus Industrie'a supervisory board.

The centre-right coalition has given strong political support to the planned extension of the Airbus programme. No agreement has, however, been reached over financing of the prngramme. The Economics Ministry, run by Mr Martin Bangemann, the FDP chairman, has made no secret of its concern about mounting costs of the programme.

Soviet Union to boost India's hydro-power

BY JOHN ELLIOTT IN NEW DELHI

THE SOVIET UNION is to build a 2,400 Mw hydroelectric power station et Tehri in northern India as part of an economic and technical co-operation package, backed by a line of credit approaching 1.5bn rouble (£1.52bn).

The deal is to be signed by Mr Mikhail Gorbachev, the Soviet leader, during a four-day visit in New Delhi this week.

Mr Gorbachev arrives in New Delhi tomorrow amid tight security for what will be India's most important state visit since Mr Leonid Brezhnev visited the country as Soviet President in 1980.

The credit package is in addition to a 1bn roubles line of credit given by the Soviet Union when Mr Rajiv Gandhi, the Indian Prime Minister, visited Moscow last year and is intended to provide for economic co-operation between the two countries to the end of the century. It covers industries where the Soviet Union has worked in the past.

It will include new areas for Soviet on-shore oil exploration on the West Bengal coast, construction of alumina and silica processing plants, modernising and expanding various Soviet-built industrial plants, including steelworks at Bhilai, Bokaro and Vizag, and starting up new coal mines.

But India is not expected during Mr Gorbachev's visit to accept a Soviet offer of one, and possibly as many as three or four, 1,000 Mw light water nuclear power plants. It has been resisting this offer for technical and other reasons, but Indian opinion is divided on the subject and Mr Gorbachev might try to persuade the Government to swing in favour.

The Tehri dam and hydroelectric plant will be located in the state of Uttar Pradesh. It will take eight years to build and forms part of India's plan to increase the share of electricity generated by hydro power.

The Soviet Union is also building a 1,260 Mw coal-fired power station at Vindhyachal in northern Madhya Pradesh and is starting the Kahalgaon 840 Mw station in Bihar.

It is negotiating to build a 630 Mw power station at Bakreswar in West Bengal in partnership with part of India's Birla group of private sector companies.

This would be the first of a series of cooperative ventures with the Indian private sector, but it is not yet definite that the Soviet-Birla bid will win, because a US-Japanese consortium is also actively chasing the project.

● In a two-hour interview on Indian television last night, recorded in Moscow last week, Mr Gorbachev said that the "day was not far off" when a political settlement would be found on Afghanistan.

"We have no intention of staying there for ever," he said.

Andreotti faces perjury inquiry over Mafia trial

BY ALAN FRIEDMAN IN MILAN

MR GIULIO ANDREOTTI, Italy's Foreign Minister and a veteran Christian Democrat politician, is to he investigated on allegations that he may have lied under oath during testimony he gave rerently in the long-running trial of 468 suspected Mafia bosses and killers.

The investigation is to be undertaken by the state prosecutor in Palermo.

Mr Andreotti, 67, apparently denied ever discussing links between the Mafia and politicians with General Carlo Alberto Dalla Chiesa, the anti-*Mafia special commissioner* who was murdered in Sicily in September 1982.

The late General Dalla Chiesa's diary record of a conversation he held in April 1982 with Mr Andreotti says the subject of ties between politicians and the Mafia came up during the conversation.

● Enichem, Italy's state-owned chemicals company, has signed a joint venture agreement with Uniroyal's chemicals division to manufacture and distribute specialty rubbers for the car and home appliance industries. The agreement takes effect at the *beginning* of 1988.

French left demonstrates against education reforms

BY PAUL BETTS IN PARIS

THE FRENCH left yesterday staged its first mass demonstration since the right returned to government in France eight months ago by gathering between 200,000 and 300,000 students, teachers, left-wing leaders and sympathisers in tha streets of Paris to protest against the conservative Government's education policies.

The turnout for the protest was larger than the FEN, the main left-wing teachers union which organised the demonstration, had hoped. The union, actively backed hy the Socialist Party, had originally hoped to mobilise about 100,000 people in the march to the Bastille.

The organisers last night claimed 300,000 people had taken part, but police present at the demonstration put the number at 200,000 and Paris police *headquarers* said only 45,000 turned up.

The protest, in which leading Socialist members like Mr Lionel Jospin, the party's first secretary, Mr Pierre Maurey and Mr Laurent Fabius, two former Socialist prime ministers, took part also saw the Socialists and Communists publicly united for the first time since the Communists broke off their governing alliance with the Socialists over two years ago.

The demonstration is expected to be followed up by strikes in French universities around the country and another demonstration, this time organised by university students, in Paris next Thursday.

FEN is opposed to the proposals of Mr Rene Monory, the education minister, to change the recruitment process for *teachers* hy *giving* headmasters a far greater say.

GM plant workers vote for return to work

BY CHARLES HODGSON IN NEW YORK

WORKERS AT a General Motors US electronic plant, whose strike had forced the world's largest car maker to lay off over 37,000 employees *nationwide*, voted at the weekend to return to work.

Employees at the Delco plant in Kokomo, Indiana, which makes and ships electronic parts used in all GM cars, overwhelmingly approved a new contract worked out with the *company's management* lete last week. The strike had threatened to almost shut down the BM North American assembly operation.

The 7,700 workers walked out in e dispute over subcontracting of some jobs and the transfer of radio production to a plant in Mexico, which union officials claimed would cost 900 jobs at Delco.

Under the new contract, radio production will stay at the Kokomo plant.

● Standard and Poor's, the US credit rating agency, said it had lowered its debt rating on about $28bn of GM senior debt and preferred stock to Double A from Double A plus.

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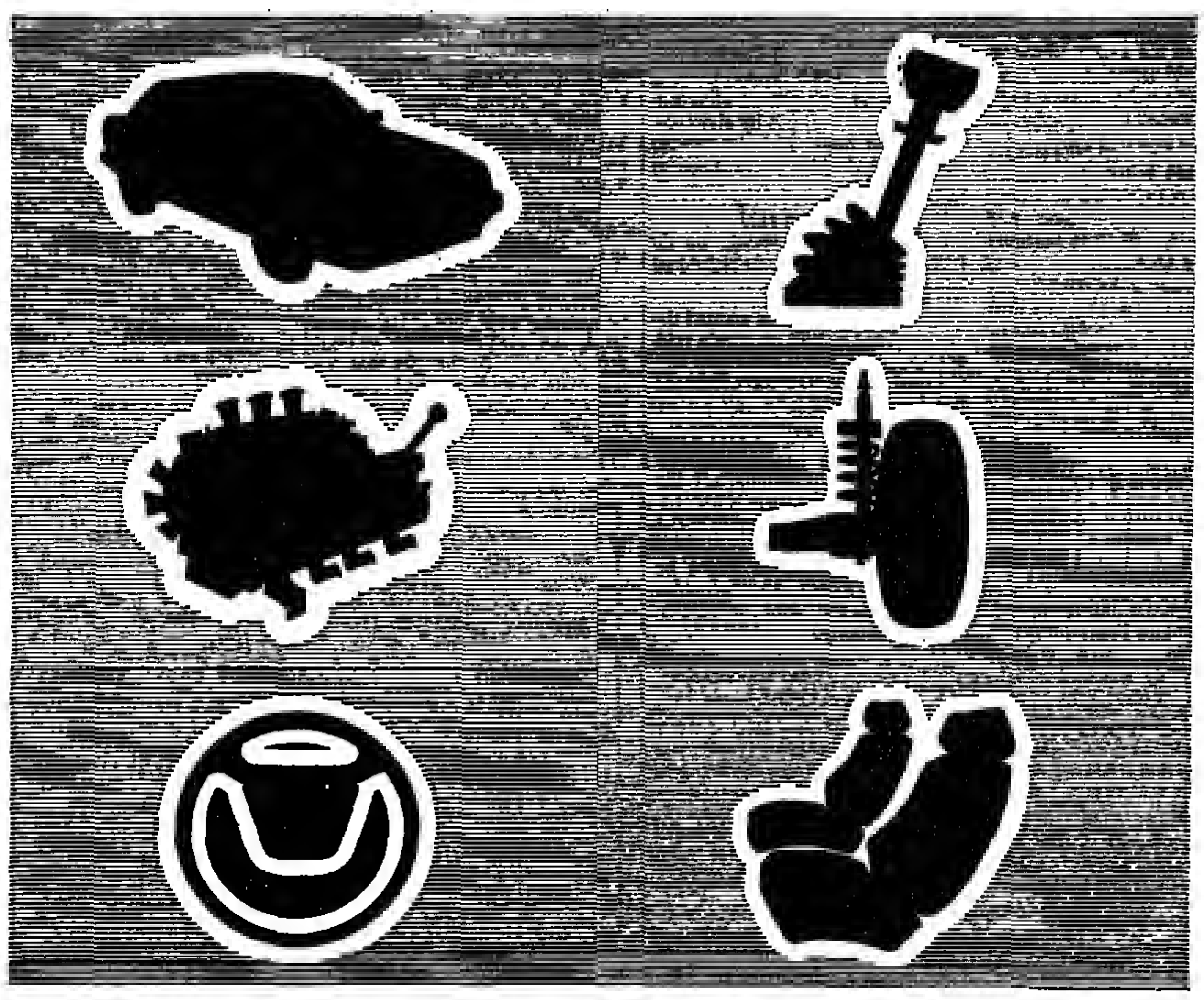

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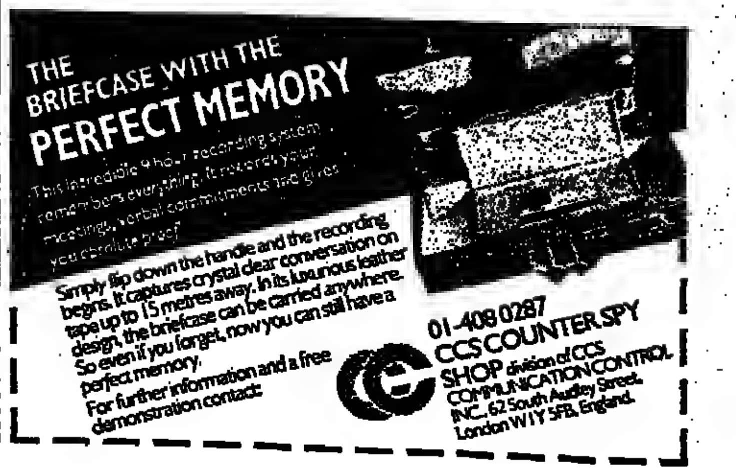

Moderate Arab leaders criticise US-Iran deal

BY TONY WALKER IN CAIRO

MODERATE ARAB leaders have joined in strong criticism of Washington over secret US arms shipments to Iran.

President Hosni Mubarak of Egypt, who had refrained from public comment on the episode, warned yesterday that US credibility in the Arab world is being undermined by revelations that it engaged in extensive secret contacts with Iran.

Mr Mubarak was speaking after discussions over the weekend with King Hussein of Jordan, who has made no secret of his own displeasure et tha US.

Egypt's President said he had sent e message to President Reagan "asking the United States to do something in order not to lose its credibility in the Arab world."

Meanwhile, Iran has renewed its missile attacks against Baghdad in retaliation for Iraqi bombing raids against Iranian cities close to the Gulf war front.

A huge explosion rocked Baghdad on Saturday night, wounding a number of people and damaging several buildings. Iran subsequently announced it had aimed a missile at Baghdad's telecommunications centre.

King Hussein, who was standing next to Mr Mubarak when the latter spoke to the Press in Cairo, endorsed his remarks, saying: "I am personally perplexed for my failure to understand the American logic.

"What happened," ha said, "will not end the war but will escalate it to an extent that it will threaten not only Iraq but the entire Arab world."

Earlier the King had told Egyptian reporters tha arms deal was a "great shock and disappointment" to ell Arabs.

US arms shipments to Iran, some details of which were confirmed last Wednesday by President Reagan, have severely embarrassed Egypt and Jordan, who are not only America's staunchest friends in the Arab world but also principal supporters of Iraq in the Gulf war.

Mr Mubarak, who has to contend with an active domestic opposition unhappy about the peace treaty with Israel and close ties to the US, is particularly vulnerable.

Egypt's President has in private indicated he his furious with the US.

ISRAELI legislators yesterday demanded a greater supervisory role for parliament following reports that Israel sent US-approved arms shipments to Iran, AP reports from Tel Aviv.

Mr Abba Eban, chairman of the foreign affairs and security committee and a former Foreign Minister, said that if the reported arms deal took place, no doubt there was a mistake in calculations of international proportions.

Reagan under pressure to admit error

By Stewart Fleming in Washington

PRESIDENT Ronald Reagan is under mounting pressure to concede that his decision to send arms to Iran was a mistake in order to try and put the issue behind him before it does further damage to the credibility of his Administration and US foreign policy.

Long-time political allies of Mr Reagan are reported to be advising him that unless he takes firm action tha controversy over the alleged arms for hostages deal will continue to fester, weakening both the presidency and the effectiveness of his Administration in his last two years in office.

Tha depth of concern amongst the President'e intimates was underlined yesterday when the Washington Post reported that a group of long-time Californian friends of Mr Reagan—working with the encouragement of the President's wife, Nancy—was urging Mr Reagan to undertake a major shake-up of his Administration.

This plan includes the replacemant of Mr Donald Regan, the White House Chief of Staff, Mr George Shultz, the Secretary of State, and Vice-Admiral John Poindexter, Mr Reagan's National Security Adviser.

Such a shake-up, if it takes place, would seem designed to reassert the influence of conservatives in the Administration, and few in Washington believe that Mr Reagan needs or would want to go this far.

It would be tantamount to an admission that his Administration has failed in the past two years, not that it has made a mistake.

The President has indicated he does not intend to fire any of his advisers and in spite of intense speculation it is uncertain whether any will be asked to leava.

Hitharto tha main thrust of White House strategy to contain the damage to the Administration has been to rely on Mr Reagan's personal popularity to persuade the American people that the charges that the US swapped arms for hostages with Iran were false.

Cairo IMF talks progress

BY TONY WALKER

TALKS in Cairo between Egyptian officials and the International Monetary Fund appear to be making progress, in spite of the interruption caused by a sudden change of government in Egypt two weeks ago.

A five-member IMF delegation resumed discussions last week with Egyptian officials, including new ministers of finance, and the economy. Talks have been described as constructive, although the two sides still remain some way apart.

The IMF delegation is expected to leave Egypt in tha middle of this week to report back to superiors in Washington. The IMF is demanding economic reforms in return for providing an initial $300m (£210m) in balance of payments support.

CRISIS IN THE PHILIPPINES

General Ramos shows his hand

Gen Rames (left) with new Defence Minister Rafael Ileto

PHILIPPINE Chief of Staff Gen Fidel Ramos, until now regarded as the man in the middle, backed President Corazon Aquino yesterday in her political battle for survival with Mr Juan Ponce Enrile, the former Defence Minister, allowing her to revamp the Cabinet, Reuter writes from Manila.

Gen Ramos, 57, threw his military clout behind Mrs Aquino after fresh rumours of a coup hit Manila and she seized the opportunity to demand the resignation of all Cabinet members.

The President immediately accepted Mr Enrile's resignation. Mrs Aquino could not have made her boldest move since she becama president in February without the support of West Point-trained Gen Ramos.

Once regarded as a straightforward but timid soldier who took orders from ousted leader Mr Ferdinand Marcos, Gen Ramos hes added another feather to his cap.

He played a crucial role in the removal of Mr Marcos, e cousin, when he and Mr Enrile led the military revolt—backed by civilian "people power"—that brought Mrs Aquino the Presidency in February.

For months after that he appeared loyal to Mr Enrile. This prevented Mrs Aquino from taking a decisive action against her Defence Minister, who frequently criticised her policies and whose followers were rumoured to be plotting a coup.

Most observers believe Gen Ramos commands the loyalty of e majority of soldiers, although some groups, mainly colonels who graduated in 1971, are said to support Mr Enrile.

Mrs Aquino's image was affected by her failure to act against Mr Enrile. Once pictured as a daring housewife turned politician, she was increasingly viewed as vacillating and indecisive.

Gen Ramos made Mrs Aquino's mova against Mr Enrile possible. Political observers believe he will play an even more important role in future.

Gen Ramos, Deputy Armed Forces Chief under Mr Marcos and a former head of the police and para-military *Philippine* Constabulary, has long been identified with reformist elements in the armed forces.

He had been named by Marcos to take over as Armed Forces Chief from Gen Fabian Ver on March 1 and stood in as military chief when Gen Ver was on trial last year for involvement in the murder of President Aquino'e husband, Benigno.

When Gen Ver was ecquitted with all the other defendants last December—a verdict now challenged as tha result of pressure from Mr Marcos on the judges—Gen Ramos had to step down after making tentative reforms to a military tainted by charges of corruption and inefficiency in its fight against Communist rebels.

Before the February coup he indicated he believed that Mrs Aquino had links with subversives and said the military "would not allow the Communists to take over."

Though a distant cousin of Mr Marcos and his influential wife Imelda, as were many commanding generals at that time, Gen Ramos was always viewed as a professional soldier.

In the Marcos era ha was known to have had meetings with the "We Belong" group of younger officers, long unhappy about slow promotion, lack of reform, and the tarnished image of the Philippines' 250,000-strong military and reserves.

Samuel Senoren reports from Manila: Mr Rafael Ileto, the new Defence Minister, is a veteran soldier and diplomat whose patience and sobriety carried him through even during the worst of times under the dictatorial regime of Mr Marcos. In choosing Mr Ileto, 66, to replace Mr Enrile, who had held the defence post for more than 15 years, Mrs Aquino said he was well recommended "by his distinguished diplomatic and military record."

After graduation from West Point in June 1943, he saw action in the Pacific with the Alamo Scouts of the US Sixth Army.

Mr Ileto rose through the Philippines' military hierarchy, assuming various commands until he was named by Mr Marcos as Deputy Chief of Staff of the Armed Forces in 1971.

Shortly after Mr Marcos declared martial rule in 1972, ha was promoted to Vice Chief of Staff. When he started opposing policies initiated by Mr Marcos's military advisers, he was given a diplomatic assignment to Iran as chief of the Philippine mission.

Until his eppointment by Mrs Aquino as Mr Enrile's deputy, he was the Philippine ambassador to Thailand.

US moves quickly to back Aquino

By Stewart Fleming, US Editor in Washington

THE US yesterday wasted no time in welcoming President Corazon Aquino's success in thwarting the military coup and strongly reaffirmed its support for her government.

The State Department issued a statement saying "we are pleased the coup attempt failed" and expressing America's "strong and unequivocal support for President Aquino and her administration."

The US added that it hoped that all sections of Philippine society would unite to protect democracy and the reconstruction of the country.

Washington also pointedly welcomed Mrs Aquino's first cabinet appointment. It described Mr Rafael Ileto, the new Defence Minister, as a "distinguished professional soldier and diplomat."

The US has been concerned about the apparent instability of Mrs Aquino's Government and also her reluctance to take a more aggressive line towards the Communist insurgency in the islands.

Her decision yesterday to set a deadline for a ceasefire with the Communists and the threat that if this is not achieved she will pursue the war more vigorously will thus be welcomed.

The US maintain a navy base at Subic Bay and facilities at Clarke airbase, making the Philippines one of the most important US allies in the Pacific.

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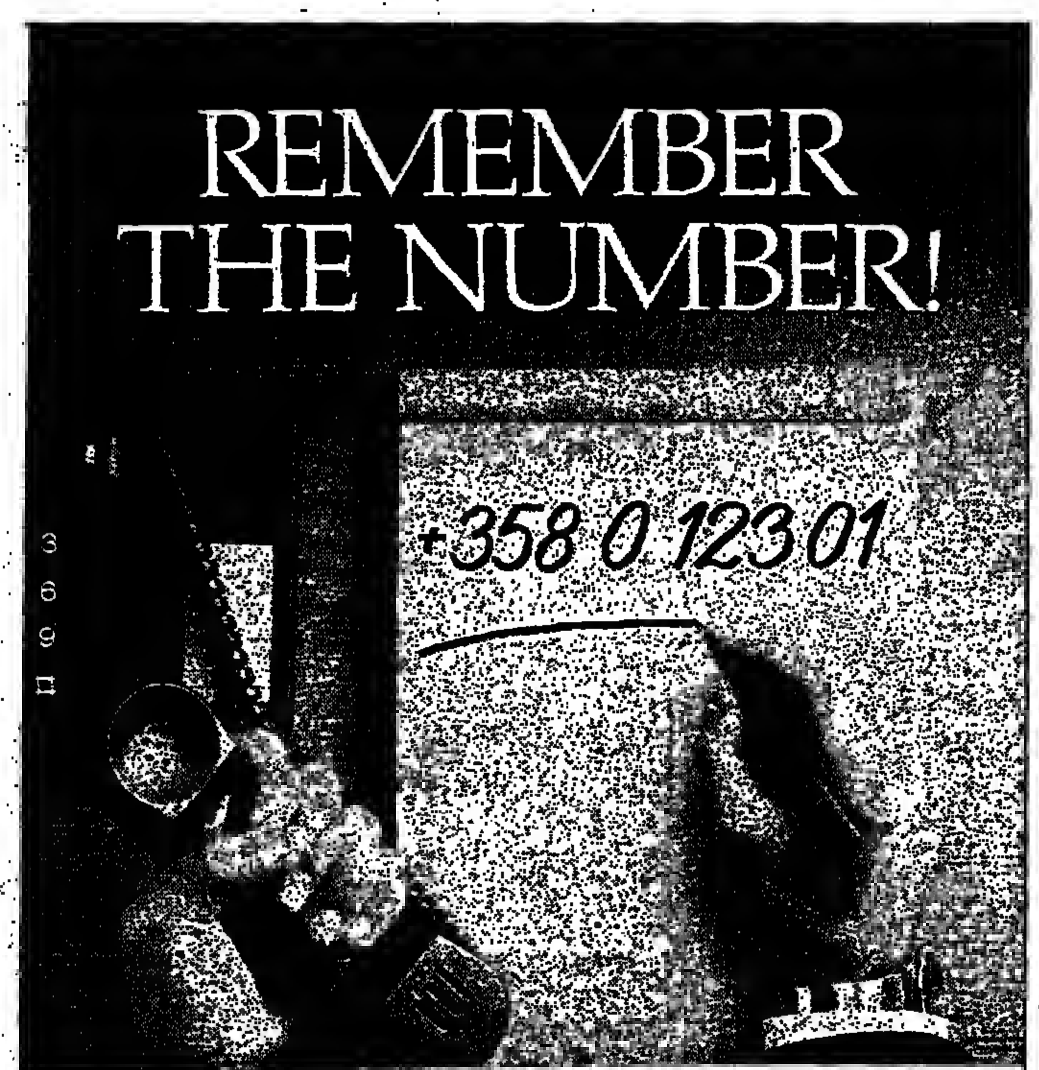

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SHIPPING REPORT

Poor oil prospects dominate market

By Lynton McLain

POOR PROSPECTS for immediate increases in crude oil supplies from the Middle East dominated the tanker market last week. Owners of large vessels had difficulty finding cargoes for voyages to the west, whare trade was almost non-existent.

Charterers from Japan, in contrast, showed continued interest in large capacity vessels and demand for very large crude carriers for voyages to the east put charter rates to worldscale 30.

The problem for ship-owners was the decreasing likelihood of any improvement in supply from the Organisation of Petroleum Exporting Countries in the Gulf. The difficulties in Iran meeting its export potential for crude oil also affected the market.

Western oil companies were notably absent from trading in tha Gulf, with the exception of Exxon, which took two ultra-large crude carriers for about 300,000 tonnes of crude oil cargo for discharge at the Sumed pipeline in Ain Sukhna. The rate was Worldscale 24/25.

The North Sea and Mediterranean crude oil markets remained volatile last week, but ship owners with vessels available for the appropriate dates found customers willing to charter at profitable rates.

David Buchan on military exercise Swift Sword in Oman

UK practises helping Gulf friends

THE BRITISH "lion" will, in the coming week, be practising how to pounce on enemies that attack its far-flung friends or interests.

In Exercise Saif Sareea (Swift Sword), the first big attempt to project British military power outside the Nato area since the 1982 Falklands war, some 1,600 paratroopers and marines, backed by seven ships, six Tornado strike aircraft and many more transport aircraft will be dropping or landing on Oman for joint manoeuvres with the forces of Sultan Qaboos bin Said.

In preparation for the joint manoeuvres which start in earnest on Wednesday, HMS Intrepid has already unloaded its marines on the island of Masirah, once an RAF station and now forward base for the exercise.

This weekend the paratroop 5 Airborne Brigade, plus the UK combined service commanders of the exercise flew out and tonight the six Tornados will set out from the UK. The 4,200-mile journey to Masirah will take 10 hours with refuelling four times in the air.

The genesis of all this goes back to before the Falklands war. The 1981 Nott review of British defenca called for a quick reaction force, akin to those of the US and France, composed of an airborne and a seaborne brigade.

But the Falklands war gave the concept of combined operations outside Nato new urgency and refinement. A Permanent Planning Group was set up in 1982 at Aldershot, able to translate itself in time of war into a Joint Force Headquarters (JFHQ).

The services have since planned a series of exercises to practise remote operations under the JFHQ concept. A minor exercise was held last year in northern England, and a major amphibious operation in Scotland is due next year, with ships steaming first away from and then back to the UK to simulate a remote operation.

But UK service chiefs are delighted to be going to Oman, not only because it provides them with "marvellous terrain aod free airspace," but also because it is less make-believe. The notional scenaria for Saif Sareea is: "In early November enemy aggression occured in Oman, to the south of Muscat. In mid-November the UK Government was requested to send reinforcements to the Ras al Had area, using Masirab as a forward reinforcement post."

In fact, of course, neither the British nor the Omani Governments rule out precisely such a fictitious scenario springing unpleasantly to life. Oman lies at the vital bottom bottleneck of the Gulf, where Iranian attacks on international shipping have moved south.

The conservative Sultanete is just as far removed politically from, and worried militarily by, Iran's Islamic revolutionary rulers as the other Gulf states. A recent meeting of the Gulf Co-operation Council states, which include Oman, ended with a warning that protection of shipping through the Strait of Hormuz was an international responsibility.

Sultan Qaboos bin Said of Oman

Self-interest and a web of confidential defence agreements might well lead Britain to go to Oman's defence if the latter were attacked. Omani forces are commanded by a UK officer, Gen Johnnie Watts, with 180 UK officers officially seconded to Oman and many more on direct contract.

Commanders of the British forces in Saif Sareea etress that the exercise will take place well away from the epicentre of the Gulf war. "We will take care not to stray into that," says Lt-Gen Sir Michael Gray, the on-the-spot commander of the British contingent.

Air Chief Marshal Sir Peter Harding, the man in overall charge of the exercise back in the UK says the aim is not to test "how we go to war alongside the Omanis but how we go to war with anyone" wbo requests British military help.

Apart from its other attractions as an exercise site, Oman is "a representative distance" away from the UK. This refers to Ministry of Defence contingeocy planning that if UK forces could deploy rapidly to Oman, they coold equally well reach other areas of British interest such as Nigeria.

What will the services learn from an exercise to be financed out of a special £4.3m fund and the normal training budgets? They will get practice in co-operation between the three UK services and with the host country's forces.

Gen Gray admits the heavy British "infiltration" of Omani forces makes Saif Sareea easier than other joint operations. The RAF will be able to try out its new Tristar tankers. Air Marshal Harding concedes the UK deployment to Oman is unrealistically leisurely, out of a wish not to disrupt other UK operations. "Given a real situation we would go like a box of bunnies," he affirms.

A key spin-off of the exercise for the services will be to reinforce the military case for maintaining a UK amphibious capability.

Zambia's currency sinks to record low

By Victor Mallett in Lusaka

ZAMBIA'S CURRENCY, the kwacha, sunk to a record low of K14.68 to the dollar at the letest weekly foreign exchange euction, reflecting a continuing shortage of foreign currency and lack of confidence among businessmen that the auction system will be maintained.

The rate compares with K13.48 at the previous auction and K2.2 before the Government introduced the auctions more than a year ago as part of an economic reform package backed by the International Monetary Fund.

The Bank of Zambia, the central bank, is nine weeks behind in its payments to successful bidders, but its general manager, Mr Michael Mwape, said at the weekend that the arrears would be paid by the middle of December.

Demand had dropped to $10m (£7.1m) a week from $20m previously, be said. This week there were $5.5m on offer.

President Kenneth Kaunda has been under pressure from trade union leaders and members of his Government to restrain the fall of the kwacha and so protect Zambians from soaring prices.

Fears rekindled in Japan quake

BY IAN RODGER IN TOKYO

UNTIL 9.40am on Saturday, the volcanic eruptions from Mount Mihara on tiny Oshima island 100 miles south of Tokyo seemed remote, if spectacular.

Then suddenly, as we were eating breakfast and reading the newspapers, our block of flats began to tremble and sway. Tokyo suffers frequent tremors, but this one was both bigger and longer-lasting than most, causing bookcases to sway and pictures to rattle and tilt on the walls.

Was this the beginning of the long-awaited great earthquake, the first major one since 1923 and which some experts think is long overdue?

As it turned out, the quake, which had a strength of 6.1 on the Richter scale at its centre below Oshima, subsided. No damage was reported in Tokyo, and life continued normally.

The same cannot be said for Oshima and its 10,212 residents who have had a terrifying week and who, having been evacuated, now face an uncertain future.

"I thought it was the end of the world," one elderly man said after watching and listening to the eruptions from his window in an old people's home. A woman said she had slept with blankets over her ears for the past few days to try and block out the endless rumbling noises.

There have been literally hundreds of earthquakes on Oshima since Mount Mihara began to erupt nine days ago, and volcanic activity on e scale that has not been recorded there for more than two centuries. Five new craters have opened, and lava has flowed to within only 200 metres of Motomachi, the main town on the island.

Now that all of the residents and about 2,000 tourists have been saved in an awesomely orderly and rapid evacuation, people are beginning to ask why this catastrophe was not foreseen. Japan spends Y5bn ($30m) a year on earthquake detection research, and it is clear that there were warnings.

Minor tremors have been occurring on Oshima, which was created by e volcano, since July. But as recently as October 30 the authorities published an assessment saying there was no reason for concern. They could find no evidence that the 758-metre Mount Mihara was bulging, a common prelude to a major eruption.

Even when Mihara's main crater began erupting on November 15, experts said this would probably be shortlived and be contained within the outer rim of the crater. Volcanic activity did subside during the week although the tremors continued.

Then, just before 4pm on Friday, the tremors became violent, and e few minutes later five new fissures opened up, sending molten rock 800 metres into the air and causing lava to flow rapidly toward Motomachi.

At 7.30pm, the authorities ordered the evacuation by boat of everyone from the island. Nine hours later everyone, except 270 policemen and scientists and three recalcitrant farmers, had left, with little more than the clothes on their backs.

One 74-year-old man died from a heart attack, a pregnant woman began labour, and a few people were hospitalised because of stress. But the huge evacuation was otherwise uneventful.

The Government's Earthquake Prediction Liaison Council held an emergency meeting on Saturday to discuss the eruptions of Mihara and evidence that the earth's crust had moved in the Oshima and Izu peninsula areas. Mr Kiyoo Moteki, head of the council, said it was "almost inconceivable" that this movement could provoke a large earthquake in the region.

World Economic Indicators

UNEMPLOYMENT

	Oct. '86	Sept. '86	Aug. '86	Oct. '85
USA 000's	8,242.0	8,329.0	8,027.0	8,307.0
%	7.0	7.0	6.8	7.1
	Sept. '86	Aug. '86	July '86	Sept. '85
UK 000's	3,197.0	3,280.1	3,279.6	3,346.2
%	11.6	12.0	12.0	12.3
W. Germany 000's	2,120.2	2,131.8	2,078.2	2,216.6
%	7.8	7.8	7.6	8.1
France 000's	2,373.5	2,316.0	2,266.0	2,309.9
%	10.2	9.9	9.7	9.9
Italy 000's	3,085.0	3,105.2	3,169.7	2,854.0
%	13.4	13.5	13.8	12.4
Belgium 000's	531.4	522.6	477.9	567.8
%	13.0	12.7	11.7	13.8
Netherlands 000's	710.9	714.0	687.2	776.7
%	12.4	12.5	12.0	13.6
	Aug. '86	July '86	June '86	Aug. '85
Japan	1,690.0	1,670.0	1,610.0	1,480.0
%	2.88	2.92	2.72	2.59

Source: (except USA, Japan): Eurostat

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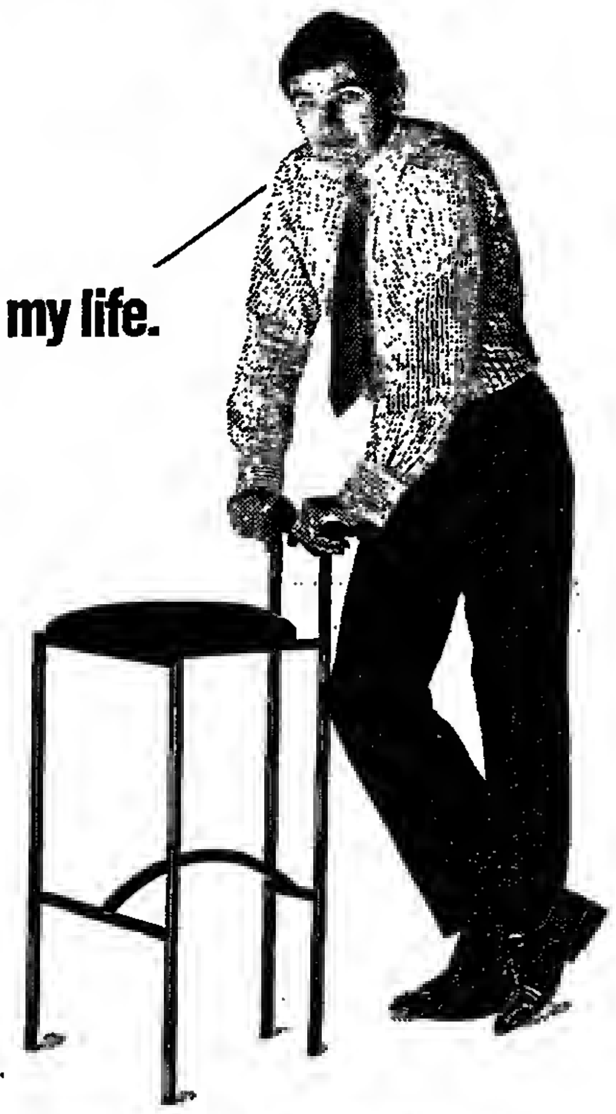

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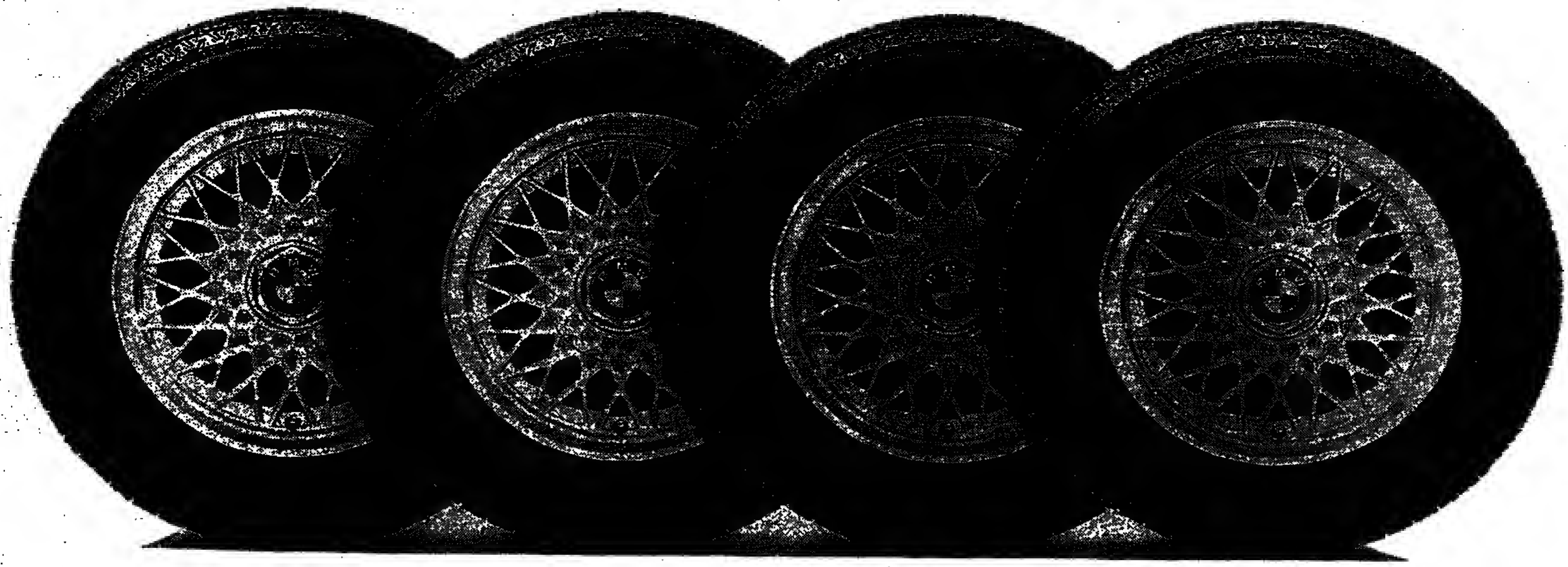

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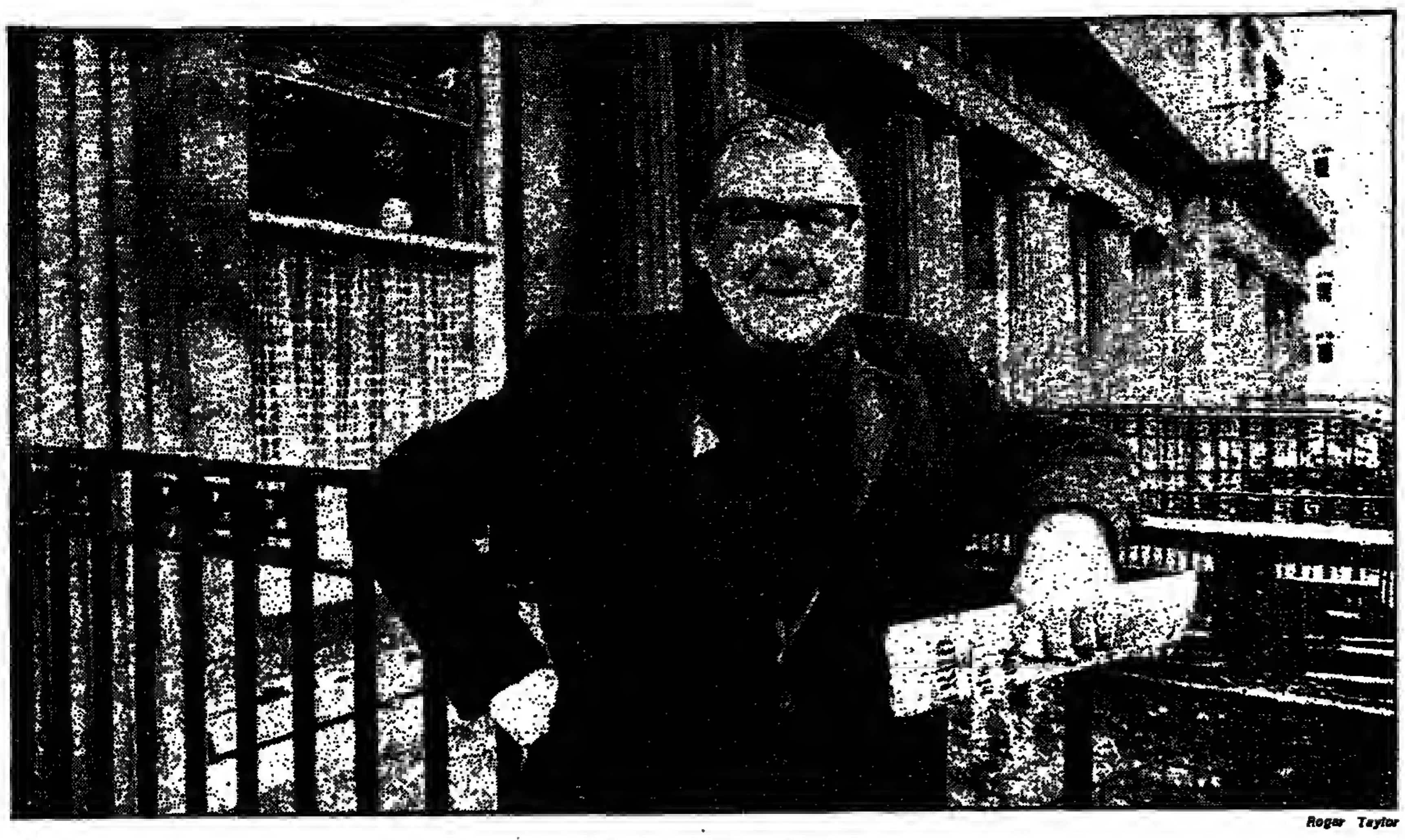


Roger Taylor

INTERVIEW

My party, my people

Michael McGahey is a puritan with great patience, writes Christian Tyler

A FERVENT feminist was at the rostrum denouncing the male chauvinism of British unions. As she finished, a growl was heard from the audience: "Good on you, hen!"

It was the orthodox voice of Britain's best-known Communist, Michael McGahey, a man the public has been taught to fear, but who is admired by everyone who knows him.

When McGahey himself gets up in front of an audience, all voices are silenced. His long, slow stride to the platform makes him seem taller than he is; the set and battered face, scarred in youthful missionary work selling the Daily Worker round the pubs of Cambuslang, makes him seem older and more menacing than he is. When he talks, it is with a voice made rusty with chronic emphysema and half a million untipped cigarettes.

The president of the Scottish miners and vice-president of the National Union of Mineworkers retires next summer at the age of 62 with a formidable reputation—but one which has been dimmed latterly by his disregard for administrative business and, some say, uncharacteristic signs of vulnerability.

Even political opponents agree that McGahey, the unswerving Communist, is honest to a fault. Disciplined in everything but his love for late-night drinking and anecdote, McGahey is a puritan who treats his fellow men with extraordinary patience and courtesy, but will strike down heresy with a word. He is also an intellectual, measuring his adversaries by the depth of their reading and power of analysis. He seeks out old people who have played their part in labour history and believes in encouraging the young.

In many people's eyes, Joe Gormley made a big mistake when with the support of Mr James Callaghan, then prime minister, he delayed his retirement to deny McGahey the chance to run for the presidency of the NUM. After the terrible year-long miners' strike that ended in defeat and division, it is fashionable to say that the miners would have fared better under the disciplined Communist Michael McGahey than the merely militant Arthur Scargill.

McGahey learned his discipline the hard way. He tells the story of how, as an 18-year-old Communist pit delegate during the Second World War, he stopped his shift over a local dispute, in breach of a party edict that there should be no strikes. Returning home for advice, he was told by an incensed James McGahey, his father and a founder member of the Communist Party of Great Britain: "If you know better than Joe Stalin, don't ask me." He later got a black eye from an angry comrade.

Indiscipline, according to the younger McGahey, is at the root of the divisions on the left, whether within the Party or within the labour movement.

"The people of the hard left —what I term the sectarians— are those I warn against entering into cul-de-sac politics, where we retain our socialist virginity while workers are getting hammered to bits.

"As a Communist I always start from the premise that we Communists have no interest apart from the interest of working people. Yes, I'll go and apologise in a capitalist court if that's in the interest of the workers. I'll even genuflect if that's called upon.

"You have to take a proper assessment of the level of the movement as it is, then project demands that will raise the movement to higher level. And the main issue today is how you roll back Thatcherism, because Thatcherism is a new phenomenon in British politics. I know that's rejected by the sectarians who say it's just old-time capitalism. But it's a new phenomenon, based on the fact that capitalism, the weaker it gets, has got to take stronger actions against the mass organisations of the people and roll back the advances since the Second World War. One of the obstacles to the welfare state being dismantled is the trade union movement."

McGahey believes that defectors, whether from the union or from Communist Party policy, should be won back by persuasion, not cast out as class enemies. He regards the "left sectarians" as a challenge. "Many of them are genuinely motivated but I do think they are doing damage to the progress of the movement.

"I try to avoid personalising matters. I can't really find in myself any hatred for any individual. You can always find that which is of common interest. One can dwell for ever on the differences, but it's always important to find a common denominator and to work for the good of society."

Joe Gormley, he says, was a very capable man of "animal cunning." "He was in the classic tradition of the class collaborator. Him and Ezra (Lord Ezra, former Coal Board chairman) had built up a repartee and a relationship all of their own making. I know Joe was not always clean and above-board with us. Sure, he could be a very friendly, social person. I think he had what you call a sneaking regard for me." But when it came to leading the NUM "he would rather have had the devil than me."

Edward Heath, who lost the 1974 election, he regards as a *skilful* politician, and a humanitarian. But Ian MacGregor he sees as a ruthless technocrat, with a "brutal philosophy" that took no responsibility for the consequences for miners and their communities. "He failed, because he's not destroyed the union."

Branded by Edward Heath and successive political leaders as an enemy of parliamentary democracy, McGahey defends his objectives in this way:

"I believe in extra-parliamentary action. It's not anti-democratic. I don't believe democracy means a ballot paper every five years to elect a government, going to sleep and waking up every five years to say 'this government's not too good, we'll vote differently next time.'

"Democracy means people's involvement in everyday affairs. The trade union movement, the Labour Party and, yes, the Tory party are democratic organisations. I don't deny the right of Tories in opposition to pressurise government. I believe the labour movement can develop mass campaigns, and mass extra-parliamentary action — which doesn't exclude strikes— to create the conditions in which government cannot ignore the mass expression of the populace.

"From the days of the Chartists, Britain has had rich, radical democratic traditions. And we will build on those traditions. We will not destroy, we will enrich the democracy in a socialist society."

McGahey accepts that Mrs Thatcher has had some success in casting the unions as something undemocratically apart from society, by focusing on the issue of trade union ballots.

His own attitude to ballots remains unrepentantly pragmatic. He recalls with high humour a parable he told a young priest who questioned the NUM's failure to hold a national ballot during the strike. "Pontius Pilate didn't hold a ballot vote for Barabbas and Jesus Christ. Jesus never got a ballot vote, but he went on to found a mass movement.

"I do recognise that workers do believe in the ballot box and I do not discard it. But there are times when the ballot box cannot answer the the problem — there are spontaneous strikes."

Looking back on the miners' strike today, McGahey refused to apologise for the decisions taken by the national executive or to criticise Arthur Scargill, the man he backed for president of the union. McGahey's private distrust of Scargill, of his picket line mentality, his condemnation of the Press, his narrowness of political vision, can only be inferred.

"Some people claimed it as a victory. That I reject. I claim it as a setback. The appointment of MacGregor was a declaration of war on the mining industry and the miners had no option but to take action after the declaration of March 4, 1984.

"My reflection on the strike? Well, did we see mass meetings as mass movements? Is that a weakness?"

There were three conditions for success — the unity of the miners, the unity of the labour movement, and public perception of the struggle as a battle for a national asset.

"We didn't get the unity of the miners, we got division with a breakaway in Notts and other parts of the coalfield. To that extent it made it difficult for the wider trade union movement to respond. Who am I to demand that a railwayman sacrifice his livelihood when the miners themselves were not united?

"Did we do enough publicly to make it the property of the British people? As I say, did we see mass meetings as mass movements? I reject the theory of miners as hooligans and vandals, but violence on the picket lines did have an effect on the mass media and the mass of the people in this country and weakened the position."

Colleagues worry how Michael McGahey will cope with retirement. Like his mentor and predecessor, Abe Moffat, he thinks Communists never do retire. "I'll settle for a safe Communist seat — but it must be a safe one."

"Can I say that I am deeply indebted to the miners, especially the Scottish miners, to the Communist Party and the members of the Communist Party. Without them there would be no Mick McGahey.

"I certainly won't go to seed —I'm not a gardener. I'll find my place in the pensioners' movement and will be able to help the Party whatever the Party asks me to do.

"After all, there are 8m pensioners in Britain. Properly organised they could make or break governments . . . as the saying goes."

● PERSONAL FILE

1925: Born, son of a founder member of Britain's Communist party. Educated at Roman Catholic school, Cambuslang, Strathclyde

1939: Joined Young Communist League, aged 14

1967: Leader, Scottish miners

1971: Defeated by Joe Gormley for *NUM presidency*

1973: Became vice-president, NUM.

Don't blame the fund managers

BARRY RILEY

FOR MANY investment managers, the performance game was great while it lasted. But its days are numbered. The consequences of an undue emphasis on beating the indices in the short run are now becoming a political issue—though as David Walker of the Bank of England pointed out at the recent CBI conference, much of the responsibility can be laid at the door of the companies which set the targets for their pension funds rather than of the fund managers who are hired to achieve them.

Interestingly, a couple of recent books have anticipated the current debate. They indicate that a search must now be made for new relationships between clients and fund managers. It is not clear exactly how these will work. But it is evident that there must be a much greater element of participation by clients in setting objectives.

In theory, performance measurement was an objective statistical way of sorting out the men from the boys, but the figures have never been sufficiently well defined to match up to the task. It has been possible for almost everybody to purport to be above average.

Alstair Ross Goobey, an experienced British fund manager who has run the Courtaulds pension fund and worked for the "boutique" Geoffrey Morley and Partners, points out some of the [illegible] in his new book, The Money Moguls. Fund managers promote themselves by choosing periods which suit them, or by finding reasons to omit their [illegible]performing funds, and sometimes even by proclaiming the alleged results of an unspecified "typical" fund.

Global investment creates new opportunities for blinding clients with statistics. Various worldwide or regional indices can be devised to provide more or less appropriate comparisons. [illegible] all markets are equally accessible. And most embarrassingly, the Japanese market has soared to a level, aided by the appreciation of the yen, which has left almost all *managers* floundering behind.

Fund managers are left to try to repair the damage by pointing to other comparisons, for instance their performance relative to other similar funds. But this begs the question of what their performance objectives ought to be.

Performance figures will always be used to lure the gullible. The Saturday savings pages will no doubt continue to be ringed by ads promoting whatever specialised Japanese, *European* or *US high-technology* funds happen to have topped the previous year's charts. A minor industry has grown up to advise private clients on switching between specialist funds. But professional clients, such as pension fund trustees, ought to be immune against such blandishments.

Yet the dream of high performance continues *to* be peddled profitably (for the fund managers) even though the laws of mathematics dictate that, ignoring costs, half the funds must underperform the indices; allowing for costs, a clear majority will underperform in the long term.

In the US, the pattern has developed for pension funds to be managed by groups of small specialists or "boutiques" which will attempt to follow particular investment styles. The selection and monitoring of such boutiques is in the hands of separate advisers who thereby generate a new role for themselves, while of course adding an extra element of cost to the structure.

The idea is that funds can switch between good and bad managers and between promising and played-out "styles" by appointing or "terminating" different boutiques. It is a formula which appeals to risk-averse pension plan trustees operating under the constraints of the US "ERISA" legislation.

For the efficient market theorists, the ability of most such fund managers to achieve sustained exceptional performance has also been in doubt. *Nevertheless*, the impact of the specialists on the structure of the American fund management industry has been dramatic. Large resources have been diverted from the big "balanced" managers in banks and insurance companies and hundreds of small independent *firms* have bene created. Yet the effect on overall performance has been less than *inspiring*.

So one of the *growth sectors* has been the promotion of indexed products, generated by computer programmes which ensure that the fund closely matches a *designated* index, such as the Standard and Poors 500. As a low-cost cop-out, indexation has obvious attractions. But it has operational drawbacks, *as* when indexed managers are forced to chase new issues up in price to obtain the correct weighting. And it does not address the question of the proprietorial responsibility of institutional investors.

Another recent book, Investment Policy, by the leading US consultant Charles Ellis, of *Greenwich* Associates, seeks to expose the inadequacies of what he calls the loser's game" of American-style fund management. "Investment managers," he says, "may be tempted to act as though their real goal is not to maximise investment results for their clients, but to maximise their probability of keeping the account."

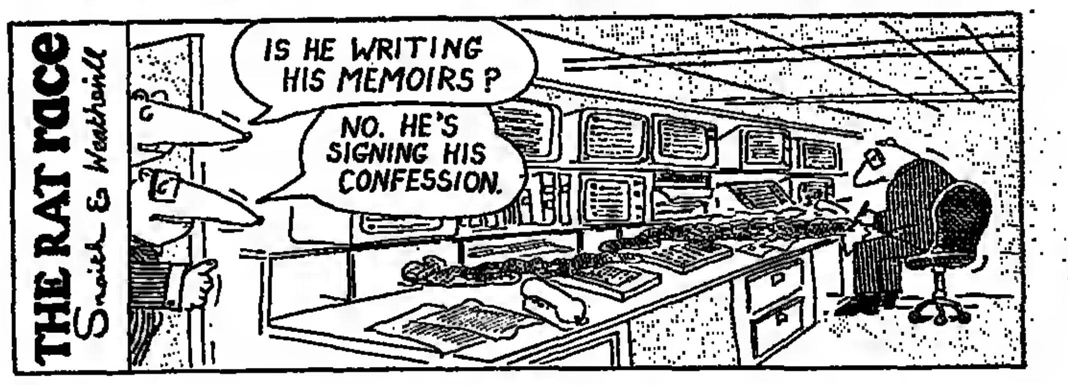
His conclusion is that the clients should decide specifically what the investment policy should be. This should recognise, among other things, the time horizons which are valid, and the risks that the clients can tolerate.

The policy could also presumably include attitudes to take-over bids and corporate restructuring (though Ellis does not discuss this). Of course, any such policy would require the creation of a very long-term relationship with the managers, and would make it difficult if not impossible to compare performance with any general market index.

Ross Goobey agrees that it is up to the industrial managers to change the ground rules. If fund managers were required to develop new skills, such as a much closer involvement in the management of companies in which they invested, they would no doubt comply. But he insists: "Managers receive no encouragement from their sponsors to take these longer-*term* views."

The Money Moguls; Alastair Ross Goobey; Woodhead-Faulkner.

Investment Policy; Charles D. Ellis; Dow Jones-Irwin.



With an eye to the future

JUSTINIAN

THE UNEDIFYING spectacle of a match between Mr Robert Maxwell and the former editor of Private Eye, Mr Richard Ingrams, slanging out in public a libel suit in the High Court, was amply reflected in the jury's verdict. Mr Maxwell was awarded by contemporary standards, modest damages for injury to his reputation — £3,500 for the more serious of the two defamatory articles, £1,500 for the less serious.

The jury may have thought that the two articles were not intrinsically worth much by way of compensation to Mr Maxwell. Paying money to the Labour Party in the expectation of the conferment of an honour in the form of a peerage does not rate high in the stakes of improper patronage or political corruption.

The jurors may have thought, however, that Mr Maxwell did not come to court with an entirely unblemished record in public life, and may have kept the damages within moderate bounds. Or they might have simply declined to fill the ample pockets of a wealthy man. Whatever the governing motive, the prime interest in the jury's verdict was not compensation to *Mr Maxwell*, but the award of £50,000 exemplary damages.

Libel damages traditionally fall into three categories. *"Compensatory" damages* represent in money the amount of a defamed person's damage to his reputation. It includes any quantifiable financial loss suffered as a result of the libel. Then there are aggravated damages, which are in fact a branch of compensatory damages. They seek to compensate for injury to the feelings of the injured party where the author has made the defamation peculiarly offensive.

It was the third category, "exemplary" or "punitive" damages, that was represented by the figure of £50,000. They are damages awarded beyond damage to reputation or injured feelings. They are additional sums to vindicate the law and supplement its penal powers.

The place of punitive damages in the civil law was authoritatively laid down 20 years ago in a famous trade union case in the House of Lords. Lord Devlin, with the concurrence of the other Law Lords, declared that high-handed, malicious, insolent or arrogant conduct, which involved the *commission of an actionable* wrong, would not found a claim for punitive damages. But in limited instances the idea of punishing the wrongdoer was not totally discarded. The concept of exemplary damages has thus survived, at least in libel cases since then. In 1971 the escort commander of the ill-fated convoy PQ 17, Captain *Broome* was awarded £15,000 for damage to his reputation and another £25,000 exemplary damages.

To allow a court to punish a wrongdoer *beyond* the *bounds* of compensation to his victim is to confuse the functions of the civil and criminal law. Damages take into account all the features of the victim's loss without imposing on the wrongdoer any greater financial burden. It is the criminal law that is society's weapon for conveying social disapproval, or for redressing a wrong done to the social fabric. There are those who nevertheless argue that the award against Private Eye will act as a deterrent to other wayward organs of the press.

If it is deterrence that is being sought, there is, after all, the criminal law. Defamatory statements can occasionally be the *subject* of a criminal prosecution, but only where the words uttered are so scurrilous or aggravated, either in their intrinsic gravity or in their public nature, that a civil remedy fails to afford the public *any adequate means of stifling* the rejection of the defamatory, and other defamatory statements, or of preventing public disorder.

Putting aside the hurt pride and reputation of a defamed person, one might reasonably ask the question: If the opportunity for vindication of one's reputation is all that the law is required to supply — by a statement in court, or perhaps an order to the newspaper to print a correction or publish an apology — is there not a case *for restructuring* the *civil action* of libel, or at least substituting a less formalised, ritualistic and more effective method *for* achieving just that? A more pertinent question might be, is the law of libel a real attempt to effect social control, or is it simply a relic of a legal system that functions solely in property terms.

There may be little or no sympathy for Private Eye, although its disappearance would be a genuine loss to our public life.

Mr Ingrams should be encouraged to appeal against the award of the exemplary damages of £50,000. If he were to persuade the appeal court judges that the proper place for punishing defamers was exclusively the criminal courts, the law's powers would be less often invoked and hence more appropriately deployed in the few instances where punishment was required. The defamed person could claim the vindication of his reputation by an award of damages by the criminal court, which is how the European courts organise matters. For the rest of the victims of defamatory statements, the apt corrective is by way of a self-regulating process of newspapers, via the Press Council, or through orders of the courts that corrections should be made. That is the sensible way *forward*, and out of the current messy legal process.

November, 1986

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UK NEWS

Whitehall pay may be geared to performance

BY HAZEL DUFFY

TREASURY and Cabinet Office ministers are considering relating part of Civil Service pay much more directly to performance as a means of paying more to the potential high-flyers. In this way, they would hope to stem the flow of bright young people to jobs with higher pay and faster promotion prospects in the private sector.

Such a move would be in line with the Government's efforts to extend performance related pay in the public sector. It has already committed the Civil Service to make discretionary payments allied to performance for the two most senior grades below Permanent Secretary.

Implementation will be in the next financial year, after consultation with top Civil Service managers and trade unions, although a few "dummy runs" are working now.

But the more junior grades of the senior Civil Service – grades 6 and 7 (formerly Senior Principal and Principal) – are those which are causing most concern to ministers. The numbers leaving as a percentage of the total are still small, but it is clear that it is among the more able of these younger civil servants – who joined through the fast-stream entry – where the outflow is most noticeable.

The plan would be to link incremental pay increases more to performance, so that those whom the service is keen to retain would jump stages on the pay scale while others would not receive increments.

These increments, which are paid in addition to the annual general pay increase, are dependent on the performance of each civil servant being deemed "satisfactory."

In practice, the increments have been almost automatic although the Civil Service is said to be more rigorous now in its assessment of "satisfaction."

Grade 7 civil servants receive a minimum of £14,318, rising to £19,465 through seven incremental steps. There is a complicated formula for determining the starting point on the incremental scale after promotion, to avoid people starting at a lower salary in the new job than the old.

The Government's attempt to introduce merit bonuses for grades 3 to 7 has not been a success. Now in the second of the three years' experiment, the scheme is said officially still to be under assessment, but it looks unlikely to be consolidated. A quota of 20 per cent of the totals in these grades was set as the maximum number of potential recipients.

A recent survey for the Management and Personnel Office of the Civil Service, while confirming dislike of the bonus scheme, showed support for the principle of pay being related in some way to performance.

The First Division Association, the union representing senior civil servants, is in the process of formulating its policy on the matter. It is thought, however, that the union would not necessarily be averse to pay scales being jumped

Growth of 3% forecast

BY NICK GARNETT

A GROWTH rate of 3 per cent next year for the UK economy is predicted in the latest Midland Bank forecast, published today.

It says this rate of growth is likely to continue for the rest of the decade *despite the decline in oil production.*

The bank expects a recovery in manufacturing output during 1987 and a rise in the rate of productivity growth.

The main stimulus for the economy next year will be provided by consumer spending and private investment, the bank says. Public expenditure is expected to fall as a share of GDP, and the contribution of net exports will be broadly neutral.

John Hunt explains why Labour believes it has Mrs Thatcher in a tight corner

Kinnock turns the screw in great spy row

ONCE AGAIN Westminster is in the grip of that almost annual event – a great spy row or, as the opposition Labour Party would prefer to call it, a security scandal.

These spectacles, which have included major episodes such as the Blake, Burgess, MacLean and Kim Philby affairs of more than 20 years ago and the more recent one involving Anthony Blunt, follow a pattern as formal as a minuet.

Mrs Margaret Thatcher, Prime Minister, will be grilled at question time by MPs, and there will be countless points of order raised in the House of Commons. The latest affair involves government efforts in the New South Wales Supreme Court to prevent Mr Peter Wright, a former MI5 (counter-intelligence) officer publishing a book. This alleges that the late Sir Roger Hollis was a Soviet "mole" while he was head of MI5. Labour has seized this opportunity to increase the Government's embarrassment.

That indefatigable Labour MP Mr Dale Campbell-Savours, was in the House of Commons at 5.30 on Friday morning working on his strategy for hounding the Government in the coming weeks.

He declares himself "wacked out" by his round-the-clock exertions, but he is determined to chase the matter by every means available. "The Prime Minister will not get away with it this time," he vowes darkly.

But on this occasion the Opposition attack is not limited merely to a handful of Labour's backbench bulldogs. The case has been taken up by Mr Neil Kinnock, Labour leader, and over the weekend Mr Alan Williams, a Labour front bench spokesman on procedure, has been studying his brief for a renewal of the onslaught on the Government in coming days.

Affairs of this sort usually end up with the Government looking foolish while most of the major and embarrassing questions which have been raised during the row are quietly swept back under the carpet.

This time, however, Labour firmly believes that things are different. With a general election on the horizon next year it is convinced that it has Mrs Thatcher in a tight spot.

In particular, it is out to hang the blame for the "inconsistencies" arising out of the case tightly around the neck of Mrs Thatcher who has overall responsibility for the security services. The secondary target is Sir Michael Havers, the Attorney General, and during the coming week Labour will concentrate its strategy on trying to force him to come to the House to make a statement. The flavour of these occasions is given by exchanges in the House, last week involving Mr Andrew Faulds, the loquatious Labour MP.

Mr Faulds: "On a procedural point of order, Mr Speaker, would you be kind enough to advise honourable members – we want to take the quickest action possible – how we can proceed to impeach the Attorney General?"

Mr Bernard Weatherhill, the Speaker (chairman), replied: "I have no idea."

As usual the affair has taken on a labyrinthine character, and the original controversy over whether Sir Roger Hollis was a counter-agent for Soviet intelligence has been forgotten and buried under a mass of tangled arguments.

Put simply, the central issue now is whether the Government knew some years ago that other former MI5 officers had leaked information to author Nigel West, the pen-name of Mr Rupert Allason who is Conservative parliamentary candidate for Torbay, but had taken no action against the officers concerned. The charge which Labour is trying to prove against Mrs Thatcher was encapsulated by Mr Williams in the Commons last Thursday when he referred to a letter said to have been written to Mr Wright by Mr Chapman Pincher, the journalist who has written a book on the Hollis case.

Mr Williams declared: "It must be a matter of great concern to the House when the Attorney General, who is in charge of the administration of justice, and the Prime Minister, who is in charge of security, have both colluded according to the letter to avoid taking action to prosecute someone who has been party to a breach of state security."

Mr Campbell-Savours started to read the letter from Mr Pincher which in terms worthy of a John Buchan novel, described a conversation which Mr Pincher had with the Attorney General while they were shooting on the moors. According to this, Havers is said to have told Mr Pincher that he knew that an MI5 officer had shown Nigel West secret information in a document which should not have been in his possession.

The Speaker intervened to stop Mr Campbell-Savours reading out the remainder of the letter. But, according to Labour sources, it contained other shock revelations, which it has not so far been possible to bring out under the privilege of the chamber.

For her part, Mrs Thatcher is resisting demands for further information with all her well-known determination. In 1981 she accepted the verdict of the report which cleared the late Sir Roger of being a double agent. Last week she suffered an embarrassing reversal when the Speaker overruled her claim that she could not comment on the case because it was sub judice while being heard in the Australian court.

Currently she is taking her stand on the principle that she will follow the normal practice of former prime ministers, including Labour ones, of not commenting on security matters.

Labour to tackle US fears on defence

By John Hunt

A LABOUR GOVERNMENT would be prepared to allow US warships carrying nuclear weapons to use British ports despite the party's non-nuclear defence policy which was approved at its annual conference.

Labour would also permit the US to maintain its intelligence "listening posts" in Britain. The use of the early warning system at Fylingdales on the north east coast would continue and the GCHQ intelligence centre at Cheltenham in the south west would still liaise with the American National Communications Agency.

Mr Neil Kinnock, the leader of the opposition Labour Party, will make these points in order to allay American fears when he visits the US beginning next Saturday.

The apparent modification to Labour's official non-nuclear defence policy will not, however, endear him to the left wing of the Labour Party.

His more conciliatory approach is intended to prevent a serious breach with the Americans over defence as well as to reassure the British electorate on an issue which could be very difficult for Labour in the next general election campaign.

The Conservatives are eager to make political capital over the US reaction to Labour's policy. Mr Norman Tebbit, the Conservative Party Chairman, will probably visit the US next month and is likely to use the opportunity to warn of the dangers of Labour's defence posture and the effect it would have on the Nato alliance.

In London last week Mr Kinnock met Mr Claiborne Pell, incoming Democratic chairman of the Senate foreign relations committee and Democratic Senator Paul Sarbanes of Maryland.

A Labour Party official said that they were reassured by the factual explanations given them on defence policy.

This does not seem to have been the case with Mr Stephen Solarz, an influential Democrat who sits in the House of Representatives. In a separate meeting he saw Mr Kinnock and Mr Denis Healey, the party's foreign affairs spokesman. Afterwards Mr Solarz still maintained that labour's policy would result in a major crisis for Nato.

Woolworth plans national stores chain for children's merchandise

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

WOOLWORTHS is to try to increase its share of the children's shopping market with the launch of a new chain of outlets called Kids Store.

The first will be opened next March, Mr Malcolm Parkinson, chief executive of Woolworth Holding's retailing chain, said in an interview.

He aims to have three operating by the end of 1987 and has ambitions to spread the idea throughout the country. "A chain of fewer than 100 would not be any good to anyone," he said. The shops will sell everything for children from birth to 13 years, "At the moment parents with kids need to visit four or five stores to sort them out," Mr Parkinson said.

"Our proposal is to do everything under one roof, including changing rooms, soda bars and restaurants."

His proposal, first hinted at during the defence against a takeover bid from Dixons earlier this year, is also similar to a plan unveiled last month by Boots. The chemist will next spring start building a chain of Children's World superstores offering everything for children up to the age of 15.

Boots intends to open three outlets on edge-of-town sites during 1987 and may build up to 40 over the following five years. It also resembles a still-vague scheme for Harris Queensway, new owner of Hamleys, the London toy store, to open up to 12 new shops with extended ranges over the next two years.

The only retailer at present operating on a large scale in this newly discovered specialist market is Toys 'R' Us, a US company which has established eight baby-to-teens super stores over the past two years.

However, the emergence of these newcomers will also cut across the territories of department stores, chains such as Mothercare, and even Woolworth's main shops, which will continue to sell a wide range of toys, clothing and other children's goods. These already account for between 9 and 13 per cent of the UK toy market, Mr Parkinson claimed.

He was confident that the market was potentially big enough to support several competing operations. "Other people coming in is going to make it easier rather than harder. It will generate a market rather than cut the existing one to pieces," he argued.

The average British family, even though it was supposed to be especially fond of its children, currently spent "an insignificant amount of money on toys," Mr Parkinson said. Spending on children in the UK per family amounted to about £80 a year compared with $250 (£175) a year in the US.

Power but no cash for inner city bodies

BY PETER RIDDELL, POLITICAL EDITOR

THE BRITISH Government intends to set up more urban development corporations to tackle the problem of dereliction and decay in the inner cities, but they will not receive the financial backing from Whitehall of the four corporations announced last month.

The proposal is that such "cashless" corporations would have all the advantages of sweeping planning powers possessed by the existing ones but would be in areas such as the East Midland cities of Leicester, Nottingham and Derby where they might be able to attract more private-sector capital.

The Department of the Environment anyway faces the problem that it has no more money available for the corporations after allotting between £100m and £160m over six to seven years for each of the four new ones – in Tyne and Wear, Manchester, the Black Country in the West Midlands and Teesside.

Mr Nicholas Ridley, the Environment Secretary, and Mr John Patten, the Minister for Housing and Urban Affairs, are both strong supporters of the idea of "cashless" corporations, and the proposal has also been received favourably by the Conservative pre-manifesto policy groups.

Mrs Margaret Thatcher, the Prime Minister, referred in her FT interview last Wednesday to extending the corporations beyond the four recently announced to ensure that development is carried out with the requisite co-ordination and forward movement.

A commitment is likely in the Tory election manifesto with implementation after an election, assuming one is held next year.

The Department of the Environment believes it is desirable to extend the corporations, but in a number of cities, such as those in the East Midlands, ministers believe the Labour-controlled local authorities are holding up development of derelict land and are sometimes hostile to industry.

The whole idea fits in with Mr Ridley's desire for sticks and carrots to take the pressure off the south of England and make the regenerated older cities attractive to business.

Acquisition by BellSouth

Financial Times Reporter

BELLSOUTH, a large US telephone operating company, has made its second move into the UK telecommunications market by buying the cellular radio customer base of National Radiofone, a Birmingham-based communications company.

The US company is one of the seven regional operating companies spun off from American Telephone and Telegraph in the break-up of the Bell system in 1984.

BellSouth, which had $1.4bn net income on turnover of $10.7bn last year, is keen to move into the UK and European telecommunications market.

The company has substantial mobile communications interests in the US and has already bought a 40 per cent stake in Air Call, the UK radio communications company.

Britain 'set to hold its communications lead'

BY DAVID THOMAS

THE UK will remain the largest European market for value-added network services (VANS) in communications into the 1990s, thanks to the liberalisation of UK telecommunications, according to a new report by the Logica Consultancy on the European VANS market. VANS are services offering more than basic voice communications over the telecommunications network.

The study says the European market was worth $200m last year. The UK accounted for $75m-$100m; France $50m-$70m; and the remainder by other European countries.

The UK's lead is due to the liberal licensing regime, but France's strength stems from the action of its telecommunications authorities in stimulating videotex by distributing free terminals, the study says.

Services which are not specific to any particular industry such as electronic mail have become well established, according to the study. However, it predicts the growing importance of services directed at specific industries such as banking and finance retail, and professional services.

Pict Petroleum

PICT PETROLEUM is retaining its offshore oil exploration interests in the Claymore and Rob Roy/Ivanhoe fields and its gas interests in the southern North Sea.

The small quoted independent company proposes to exchange all of its other offshore interests for stakes held by Elf UK in 26 onshore licences.

The Financial Times apologises for en incorrect report in Saturday'e edition.

US DOLLAR THE WORLD VALUE $ IN THE FT EVERY FRIDAY

(Advertisement)

DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

November 1986: Vol. 15, No. 11

Japanese economy showing signs of stagnation under export slow-down

U.S. Treasury Secretary James Baker increased the pressure on Japan and West Germany to lower interest rates and thereby boost domestic demand during a series of international monetary meetings held in Washington during late September and early October, including the meetings of the Group of Five and the Group of Seven industrial countries, as well as the annual meeting of the International Monetary Fund and the World Bank. Japan and West Germany resisted the U.S. pressure and called for stabilization of the value of the U.S dollar against other major currencies. International policy coordination seems to have lost some of the ground it had gained between the autumn of last year and the spring of this year.

The U.S. pressure was based on the view that trade imbalances could not be corrected through currency-rate adjustment alone but the Japanese and West German economies must grow at a faster pace than that of the U.S.

Despite the U.S. demand, West Germany remains reluctant to take additional stimulative measures on the basis that its domestic demand is growing steadily. In contrast, Japan responded positively to the U.S. request by launching a comprehensive package of reflationary measures in September.

Japanese economy under export slow-down

Since currency-rate adjustment had e greater impact on Japanese exports than on West German exports, the Japanese economy is showing signs of stagnation under the deflatiooary impact of the yen's continued strength.

Japan's export volume on e customs-clearance basis, which rose 3.8 per cent in the first quarter of this year from the previoos quarter, 1.5 per cent in the second quarter and a scant 0.1 per cent in the third quarter, has been slowing its pace. It seems somewhat strange, though, that exports are still growing despite a more thao 50 per cent rise in the value of the yen against the dollar since a year ago. This is possible because Japanese companies are attempting to keep export volume from declining by limiting the increase in the dollar prices of their products as much as possible.

However, this export strategy is causing a deterioration in the earnings of Jepanese exporting compeoies by slashing their yen-based export incomes. Furthermore, an influx of cheap foreign products into Japao is causing e weakening in the Japanese commodity markets. Japanese companies are, therefore, suffering from sluggish sales and inventory valuation losses. Under these circumstances, an increasing number of companies are reporting earnings decreases.

According to the Bank of Jepan's most recent quarterly survey of the short-term business outlook conducted in August, corporate profits before taxes and extraordinary items in the manufacturing sector for fiscal 1986 are projected to plummet 30.1 per cent from e year earlier. This is an indication that the manufacturing sector's business prospects are deteriorating, which is discouraging corporations from stepping up capital investment.

Shipments of capital goods (excluding transport machinery), a measure of capital investment trends, showed almost no growth in the July-August period compared with the April-June period, increasing only 0.1 per cent on a period average. Machinery orders, a measure of future capital investment trends, also dropped a sharp 7.7 per cent in the same period. It can be said that the manufacturing sector's poor performance is the major drag on corporate capital investment as a whole.

Housing investment

Next is a study on the movement of the household sector.

Recent consumption-related indicators have shown that personal consumption is still maintaining momentum despite a worsening employment situation and a slowing of income growth. The strength of personal consumption is attributable to the fact that consumers are reluctant to reduce their consumption levels while their purchasing power has increased due to stable consumer prices. Although nominal income growth is expected to slow down in the future, personal consumption is likely to remain firm io light of price stability.

Housing investment, another main pillar of the household sector's demand, is growing at a fast pace. New housing starts increased 13.5 per cent in July from a year earlier end 19.4 per cent in August. Notably, construction of privately owned homes, which had been sluggish, picked up 6.0 per cent in July and a sharp 20.5 per cent in August. Housing investment was aided by e relaxation on loan terms by Housing Loan Corp. in April, which caused an increase in housing construction in July and August through the use of the loans.

The brisk growth of housing construction also resulted from price stabilization and lower interest rates. Housing construction is expected to increase further with the aid of Government policy backing.

Although the corporate sector, primarily manufacturing, continues to be in the doldrums, the household sector is gradoally recovering its strength.

Difficult policy handling

Whether the Japanese economy can initiate domestic demand-led expansion io the near future seems to depend on the movement of fiscal spending. To spur the sluggish domestic economy and respond to foreign pressure lo boost domestic demand, the Government launched a comprehensive package of reflationary measures totalling ¥3,636 billion on September 19.

A breakdown of the package, however, reveals that only half of the ¥3,636 billion is expected to be spent during the remainder of the current fiscal year, of which land purchase costs will account for 30 per cent. Therefore, the real GNP growth for the current fiscal year will be pushed up by only 0.3 to 0.5 percentage point by the package. It must be concluded that the Government's fiscal 1986 GNP growth target of 4 per cent will be extremely difficult to attain. Policy handling to cope with the growing foreign pressure on Jepan also seems to have become more difficult.

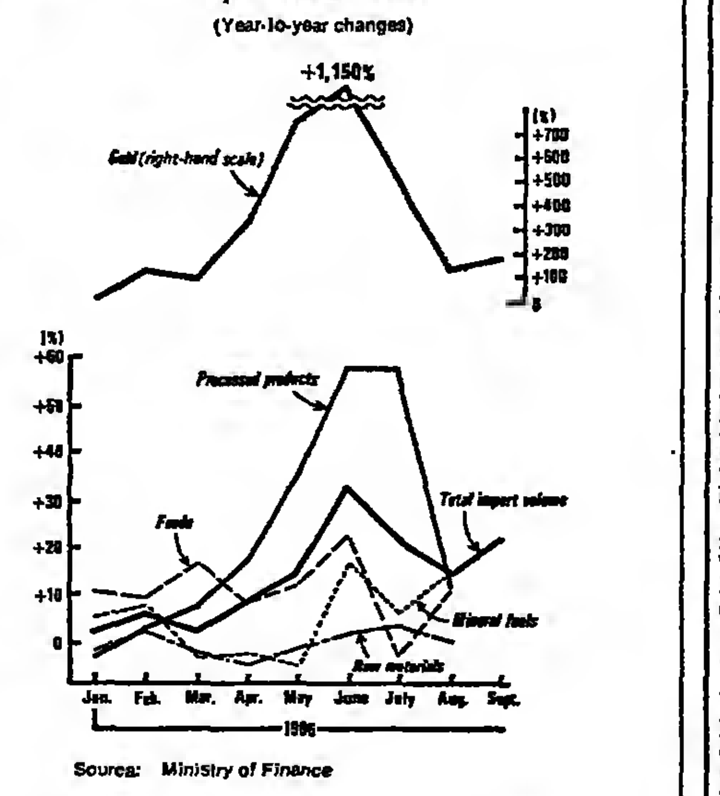
Growing trade surplus

Under these circumstances, it should be considered optimistic that import volume is gaining additional upwerd momentum, recording double-digit year-to-year growth for five straight months since May. Although June and July imports included gold imports to manufacture the coins commemorating the 60th anniversary of the Emperor's reign, even excluding this, imports of foods and processed goods are rising sharply. It can be said that the yen's appreciation is making foreign products cheaper in Japan.

Despite import volume expansion, the trade surplus in the first half of fiscal 1986 reached $46.3 billion on a customs-clearance basis, which rivalled the trade surplus for the entire year of fiscal 1985. The surplus widened in fiscal 1986 due to e rise in export prices and a sharp fall in import prices which offset the effects of decreasing export volume and rising import volume. However, such price changes should co longer be effective in increasing the trade surplus in six months or so if the yen's value and crude oil prices continue to be stable. Such stability is expected to create e situation where export and import volume changes would be reflected more clearly in the trade balance.

Import Volume Growth

(Year-to-year changes)



Source: Ministry of Finance

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The next DKB monthly report will appear Dec. 23.

GENSTAR CORPORATION

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17½% DEBENTURES DUE OCTOBER 15, 1989

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Trust Deed of Hypothec, Mortgage and Pledge and a Deed of Trust and Mortgage (the "Principal Trust Deed"), both bearing formal date of June 1, 1975, all supplemented by [illegible]

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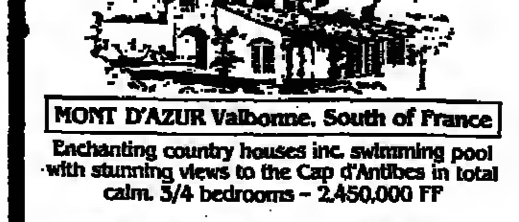

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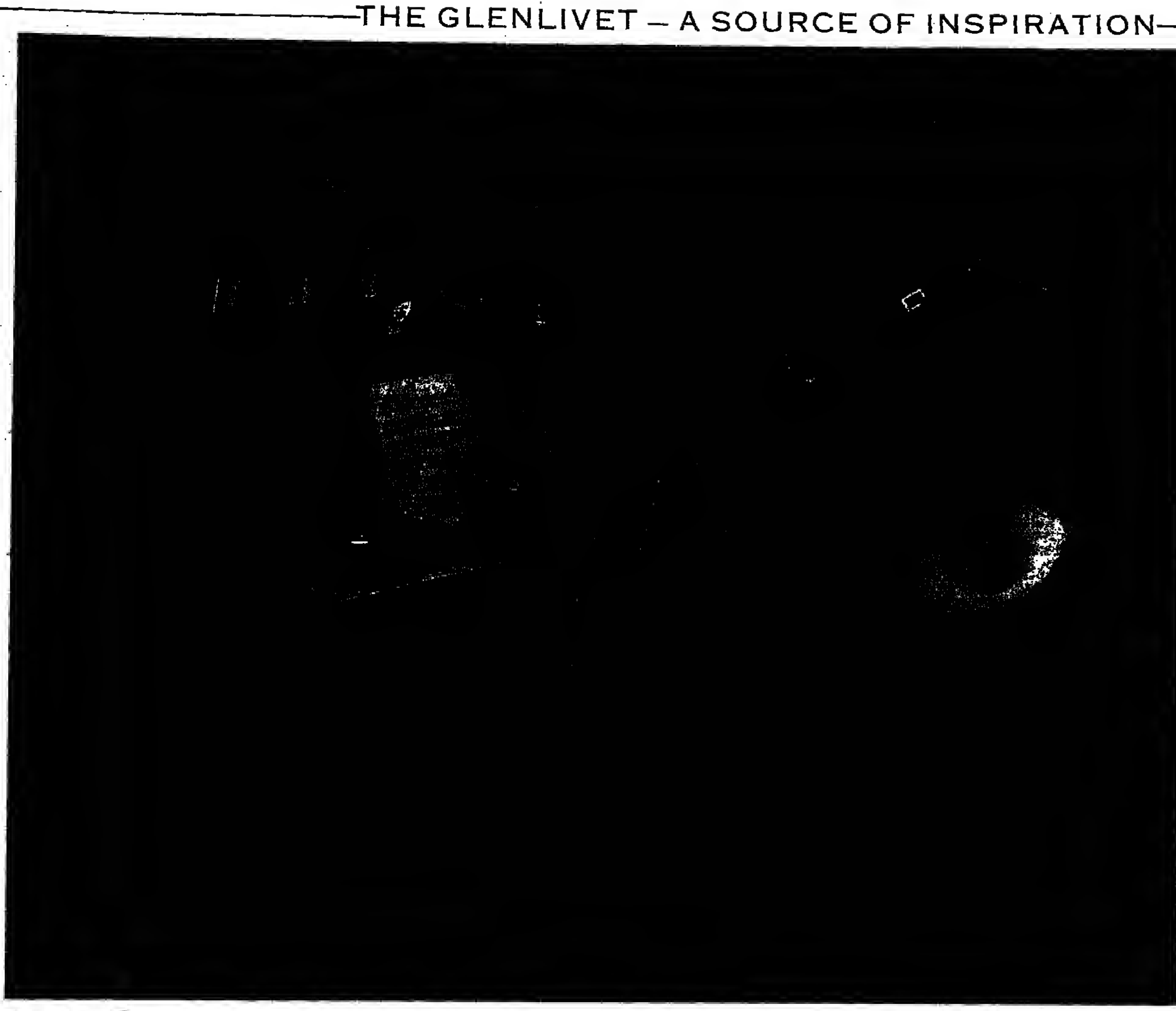
THE GLENLIVET – A SOURCE OF INSPIRATION



When people weren't drinking The Glenlivet, they were singing its praises.

Ordinary molt whiskies merely touch the lips.

But THE GLENLIVET® single malt whisky touches the soul.

Lauded in literature, verse, and music, in humaur and philosophy, it has stirred the creative imagination of Scotsmen for generations.

One J. Scott Skinner was inspired enaugh ta campose a whale song dedicated to THE GLENLIVET.

While his glass overflawed, his pen spilled lyrics:

SCOTT SKINNER'S *made anither tune,*
The very dirl o't reached the moon,
Till ilka lassie an' her loon
Commenced the dance fu' frisky, O!
The burden o' the sang was this–
"We never felt sic Lunar bliss:
Anither reel, an' syne a kiss,
Ower gude Glenlivet Whisky, O!"
Freemasons! to the Major drink–
We daurna speak, but we can wink,
An' heaven be thankit, we can think,
An' thinkin, feel richt frisky, O!
Lang may they thrive in stock an' store,
Balmenach, Craggan, an' Minmore;
An' I'll be up to ha'e a splore
In gran' Glenlivet Whisky, O!

Praise indeed far the 'Grandfather of oll Scotch.'

But if THE GLENLIVET was music to Scott Skinner's eors, then to W. E. Aytoun it was nothing short of miraculous.

In the celebroted ballod 'The Massacre of Macpherson' Aytoun tells us thot:

"Fhairson had a son
Who married Noah's daughter
And nearly spoilt ta flood
By trinking up ta water.
Which he would have done–
I, at least, believe it–
Had ta mixture been
Only half Glenlivet."

Anather Scattish writer went even further...

The Immortal Glenlivet.

Christapher North believed THE GLENLIVET held the secret of eternal life! In his famaus series af sketches far Blackwood's Magazine in 1827, he quoted James Hogg, the Ettrick Shepherd:

Gie me the real Glenlivet, and I weel believe I could mak drinking toddy oot o' sea-water. The human mind never tires o' Glenlivet, any mair than o' caller air. If a body could just find oot the exac' proportion and quantity that ought to be drunk every day and keep to that, I verily trow that he might leeve for ever, without dying at a', and that doctors and kirkyards would go oot o' fashion.

Such eulogies quickly raised THE GLENLIVET ta the legendory stotus it enjoys todoy.

Gow, alias Smith.

But when our founder's oncestor, John Gow, first distilled THE GLENLIVET in 1747, he hod na idea how famaus his whisky would become.

In fact, fame and fartune were the last things an his mind.

John Gow was actually seeking ananymity.

You see, he had faught and last with Bonnie Prince Charlie and had ta flee with his family far fear af his life.

He changed his name ta Smith to baffle the English saldiers and retreated North ta a remate Highland valley.

Lady Luck and Mother Nature.

As if ta make up far Gow's misfartune an the battlefield af Culloden, Lady Luck guided him ta a magical place.

A place where Mother Nature had assembled the perfect elements far making malt whisky.

There were rich craps of barley.
Fields carpeted with peat.
Soft Highlond oir.

And mast precious of all, pure spring water from a saurce known as Josie's Well.

It was here beside Josie's Well thot John Gow (alios Smith) begon his new life as farmer and distiller.

THE GLENLIVET was born.

And it was out af this warld.

No-one could explain why it was so speciol. It just was.

Perhaps it was the quality of the barley, harvested ot the peak of ripeness.

Or the pure Highland water that it was steeped in.

Perhops it was the way the peat dried aut the malted barley.

Or maybe something wonderful happened as the gentle Highland air permeated through the oak casks while the whisky aged.

No-one could say because no-one knew. Not even John Smith. He was just thankful to have the faur 'gifts af God' in such abundance and in such a mystical cambinatian.

Famous, but infamous.

At first, John Smith distilled his beloved malt illegally, like all his friends and neighbours, refusing ta hand over one penny in taxes.

He passionately believed in the Highlander's right to make his awn dram, in his own home, without interference from the Government,

especially a Sassenach Government!

(Robert Burns put the Highlanders' contempt for the Revenue men in o nutshell. "Freedam ond whisky gang thegither!")

But the word spread about Jahn Smith's magnificent illicit dram.

It stood apart fram other malts, with its distinctive 'nose' ond unique subtle taste. A smooth, mellaw integration af peatiness, softness and sweetness.

Soon, THE GLENLIVET was the toast of gentlemen, lords and even a king. (George IV was said to drink 'nathing else.')

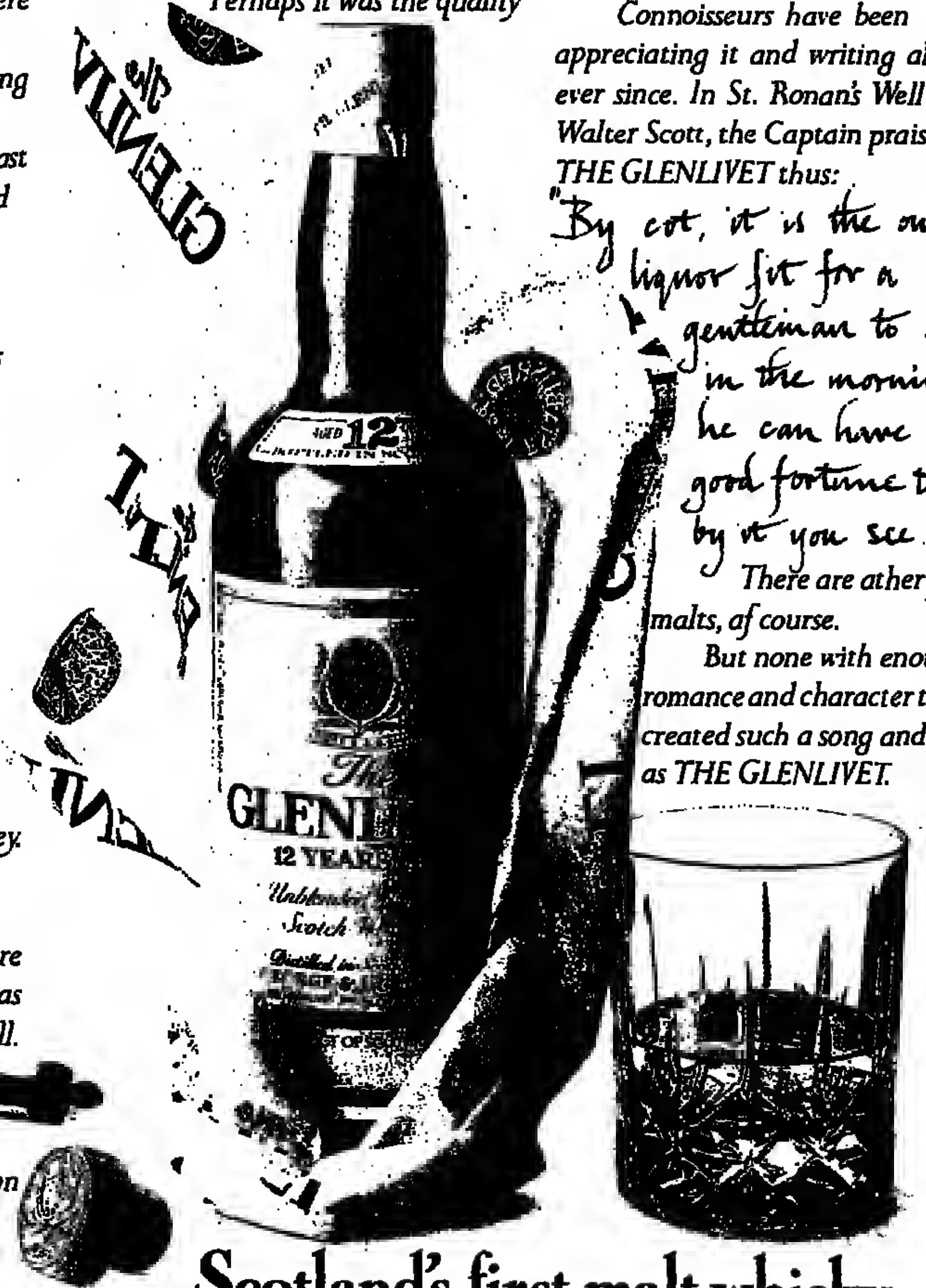
Such a whisky couldn't remain outside the law indefinitely. And so in 1824, at the ripe old age of 77, THE GLENLIVET distillery became a legal establishment.

Connoisseurs have been appreciating it and writing about it ever since. In St. Ronan's Well by Sir Walter Scott, the Captain praised THE GLENLIVET thus:

"By cot, it is the only liquor fit for a gentleman to drink in the morning, if he can have the good fortune to come by it you see."

There are ather fine malts, af course.

But none with enough romance and character ta have created such a song and dance as THE GLENLIVET.



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November 24, 1986, London
By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANK

UK NEWS

Hume praises 'progress' of Anglo-Irish deal

BY HUGH CARNEGY IN BELFAST

THE ANGLO-IRISH agreement, which gives Dublin a say in the affairs of Ulster, has led to more progress in Northern Ireland in its first year than had been achieved in the previous 60 years, according to Mr John Hume, leader of the Social Democratic and Labour Party (SDLP), the province's largest nationalist party.

Reiterating the SDLP's support for the agreement at its annual conference at Newcastle, County Down, at the weekend, Mr Hume said there was disappointment at the British rejection of an Irish proposal to replace Northern Ireland's one-judge, non-jury emergency courts with three-judge courts.

But there had been clear movement on other nationalist grievances against the judicial system, the police and discrimination against Catholics in employment as well as other issues. "Not bad for one year, I would argue, particularly when compared to the total lack of movement on many of these issues over the previous 60 years," Mr Hume said.

There was little sign at the conference, however, of a break in the impasse between Nationalists and the Unionist leadership which is still steadfastly opposed to the agreement. Mr Hume said that Unionists should have "the self-confidence to face the rest of us on an equal footing and build structures for the future," but he offered no new olive branch to them.

Mr Seamus Mallon, his deputy, criticised Unionist leaders for being tied to Protestant religious groups, the Orange Order and paramilitary organisations. "I say to the Unionists and I say it sincerely: get the monkeys off your backs first, and then you'll be able to negotiate."

The conference highlighted a split between the SDLP and Mr Charles Haughey's Fianna Fail Party in the republic which could prove damaging if Fianna Fail wins the looming Irish general election. Mr Haughey has attacked the agreement as a failure and said he would renegotiate it. He sent no customary message of support to the conference, and only one Fianna Fail representative was present.

Without naming names, Mr Hume and Mr Mallon said those who said the agreement had failed were "begrudgers and whingers." Mr Hume called for all constitutional Irish nationalist parties to get together to iron out a common strategy on Northern Ireland. Mr Hume also attacked those who sought to promote fair employment in Northern Ireland by urging disinvestment.

This was aimed mainly at the Irish-American lobby in the US

Atlanta route challenge for BCal

By Lynton McLain

BRITISH AIRWAYS is to attempt to replace British Caledonian (BCal) Airways on the London to Atlanta, US route, at public hearings at the Civil Aviation Authority (CAA) today and tomorrow.

BCal intends to oppose the BA application. It is giving evidence through Mr David Coltman, its managing director, which is an indication of its seriousness in defending its services. Atlanta is one of the biggest airline hubs in the US, feeding growing economic activity in the south-east of the country.

BCal flies to Atlanta from Gatwick, south of London, in partnership with Sabena, the Belgian airline using a Sabena Boeing 747. British Airways' case rests on its contention that the joint BCal/Sabena operation is not a British operation. BA said in August, when it applied for a licence to fly to Atlanta, that its application was designed to allow the continuation of services by a UK airline.

Mr Coltman said yesterday that BA's bid was based on the state airline's specific objection to the operation by BCal of daily Boeing 747 services in association with Sabena.

There was no ground for objection, either in law or in the air transport policies of the UK and the US, against the BCal/Sabena operation, BCal said. "The scheme was supported and authorised by the UK transport department and the US transportation department."

BCal has operated services from London to Atlanta for six years, with services six times a week using a BCal DC-10. It has 40 per cent of the passenger market and 68 per cent of the cargo market on the route. Delta Airlines of the US has the balance. Over a third of the traffic in the year to September came from the UK and Eire, with 44 per cent coming from the US.

BCal started its daily services with Sabena in October. The 747 airliner is owned by Sabena, painted in Sabena colours, flown by Sabena flight deck officers and has a mix of Sabena and BCal cabin crew, with BCal identity in the cabins.

Mr Coltman said BA had several collaborative activities with other airlines. These involved joint ventures with Air New Zealand, Alitalia, Singapore International Airlines, KLM, Japan Air Lines, Air France and Air Jamaica.

Labour pledge on Scottish Assembly

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SCOTLAND could have its own elected assembly in operation within two years of Labour winning the next general election, a rally in Glasgow was told at the weekend.

Mr Denis Healey, Labour's foreign affairs spokesman, underlined Labour's "unshakeable" pledge to create a Scottish Assembly if it won the next election. The assembly would have wider powers than those which the Labour Government of Mr James Callaghan granted in the 1978 Devolution Act, which was rejected in a referendum.

The new assembly would be granted the extra power to levy taxes and to administer industry in Scotland, in addition to controlling education, health, local government finance and other matters. It would be elected for a fixed four-year term under the first-past-the-post system.

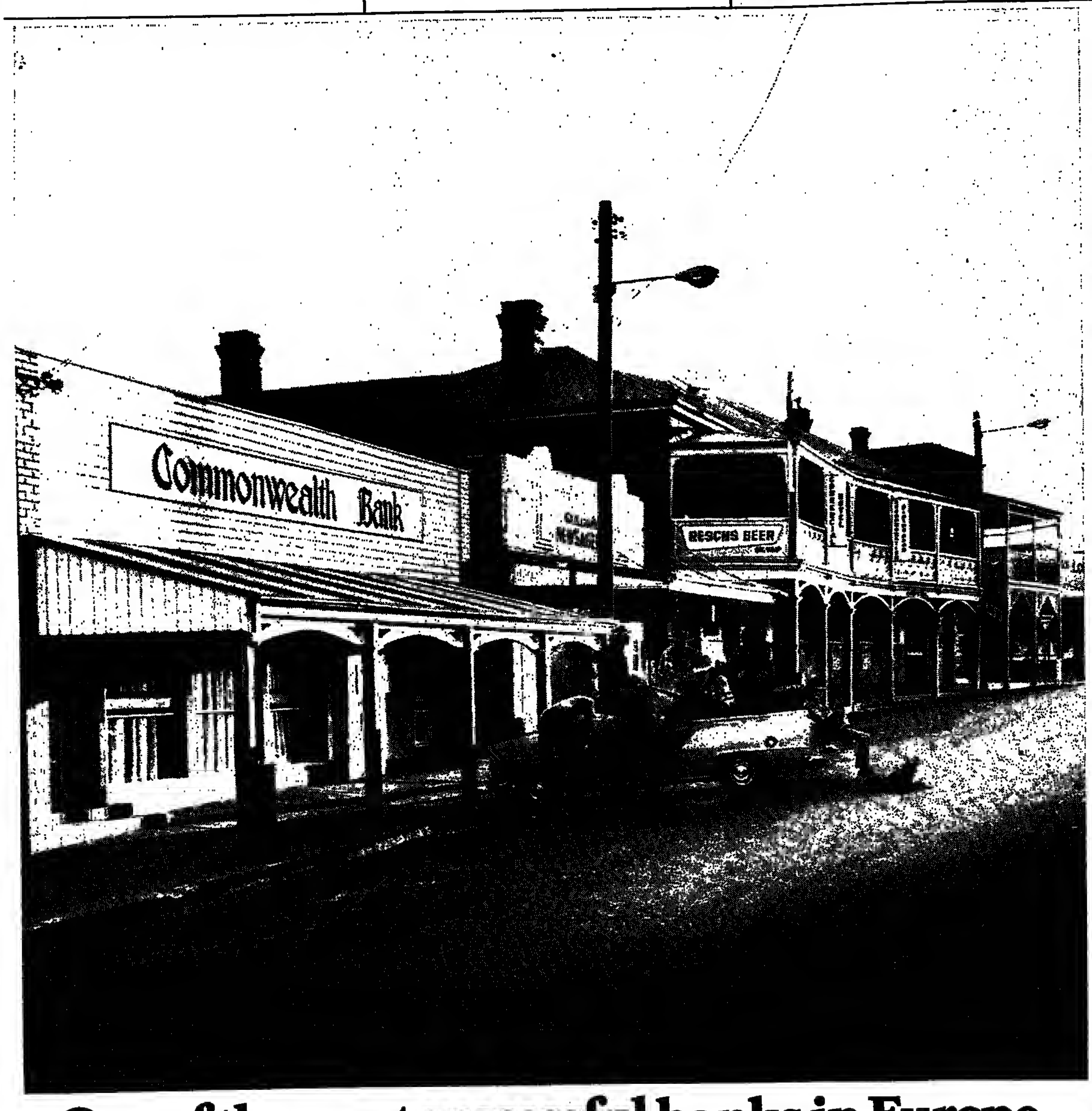
Crisis in tax office relations

By Nick Bunker

NEW EVIDENCE has emerged of a crisis in relations between local tax officials and the UK's accountancy profession.

It comes in a 28-page document published by the Institute of Chartered Accountants in England and Wales, recording notes of a meeting it held with the Inland Revenue last June.

A breakdown in liaison between tax inspectors and collectors was causing "incalculable damage" to the Revenue's reputation, the institute said. This now required "urgent attention at a high level." The main complaint was that collectors went on sending out old tax demands even after an assessment had been appealed and new figures agreed.



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Board appointments at Nissan UK

Two Britons have been appointed to the main board of NISSAN MOTOR MANUFACTURING (UK), Tyne and Wear. **Mr Ian Gibson**, formerly director of purchasing and production control, has been appointed deputy managing director; and **Mr Peter Wickens**, personnel director, has been elected to the main board; both from January 1.

★

Mr Brian Gould, former chief executive of Tangye, has become a partner in the Midlands-based engineering and management consultancy ROSSMORE WARWICK.

★

Mr Mervyn Lesser has been appointed non-executive chairman of the LESSER GROUP.

★

Mr Ian Lindley has been appointed manufacturing director of LINDLEY FLOW TECHNOLOGY, Bradford. He was works manager.

★

BEAR, STEARNS INTERNATIONAL, London, has appointed **Mr William T. Dunn** as managing director of international fixed income. He was executive vice president and a member of the board of E. F. Hutton and Co Inc, and was head of worldwide taxable fixed income. Bear, Stearns International is a wholly-owned subsidiary of Bear Stearns, New York.

★

Mr Michael Delahooke has been appointed deputy managing director (commercial) of WATNEY MANN AND TRUMAN BREWERS. His responsibilities include all aspects of marketing and external commercial activity. He remains chairman of the Phoenix Brewery Co. He was chairman of Watney Combe Reid & Truman.

★

Mr Michael Roberts has been appointed managing director of RUSSELL BROTHERS (BUILDERS), which was recently acquired by Cawberry.

★

Mr Michael Pickard and **Mr Giorgio Rossi** have joined the board of BROWN SHIPLEY HOLDINGS. Mr Pickard is deputy chief executive of Sears and former chairman and chief executive of the brewing and leisure division of the Imperial Group. His family and their business interests have been banking customers of Brown, Shipley & Co for over 50 years. Mr Rossi was for 30 years with Credito Italiano, Milan, and is a former chairman of SNIA-BPD and Worthington, Milan. He is a director of COFI and chairman of SNIA-BPD International, Luxembourg.

★

Mr E. I. Japhet, chairman of BANK LEUMI (UK), is resigning on December 31. **Mr Mordechai Einhorn**, chief executive of the parent company, Bank Leumi le Israel, becomes chairman from January 1. **Mr Frank Snushall**, chairman of the executive committee of the board, has been elected deputy chairman from November 19, and the board has co-opted **Mr David Friedmann**, head of the international division of the parent company, as a director.

★

Mr Martin Tucker has been appointed divisional director of FORWARD TRUST GROUP'S newly-formed business development division. He was regional director, Midlands. Forward Trust Group is the consumer and asset finance subsidiary of Midland Bank.

★

Mr John Pearson and **Mr Malcolmn Robson** will become partners on January 1 at DURRANT PIESSE.

★

ARMITAGE & NORTON has made **Ms Helen Ashley** a partner in the Edinburgh office.

★

Mr Richard Kemp has been appointed a director of CHARTERHOUSE DEVELOPMENT CAPITAL.

★

ELLIS & EVERARD has appointed **Mr Robert Welburn** as company secretary. He was finance director of Cargo Fleet Chemicals, which was acquired by Ellis & Everard last April.

★

The UK division of H. H. ROBERTSON of the US has strengthened its position in Europe with the appointment of its managing director, **Mr Cliff Dyer**, as chief executive of all Robertson subsidiary companies in Norway, Denmark, Sweden, Finland, France, Netherlands, Spain and Switzerland.

★

COUNTY NATWEST CAPITAL MARKETS has appointed three directors. **Mr Mark Blundell** joins as director responsible for initiation of structured swaps and other rate risk management products. He will also be a director of County Group, management company of NatWest Investment Bank. He is currently an executive director of Citicorp Investment Bank. **Mr Alan Taylor**, who will also be a director of County Group, has been appointed director in charge of operations in bond, money and foreign exchange market business. He is currently commercial director of Mills & Allen Moneybrokers. **Ms Barbara Yu** has been appointed director responsible for France and Belgium. She was previously with Shearson Lehman.

★

Mr Brendan Connelly has been appointed financial director of the TAYLOR NELSON GROUP. He joins from Redwood Publishing where he was financial director

Tractor sales expected to hit 20-year low

BY NICK GARNETT

THE TOTAL UK market for agricultural tractors this year is likely to be about 19,000 units, the lowest number of unit sales since tractor registrations began more than 20 years ago.

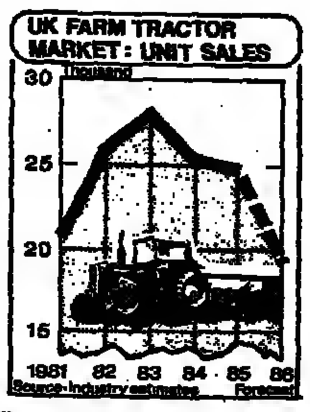
Industry forecasts indicate that overall sales could even dip below 19,000, but Massey-Ferguson, the second-largest supplier to the UK after Ford, believes that sales will be closer to 19,500. This would compare with last year's sales of 24,900 and a peak of 28,000 in 1984.

Mr John Westrope, Massey's director of sales for the UK and Ireland, said yesterday that the domestic market was likely to remain depressed at around 19,000 to 20,000 unit sales for the next four to five years. Some other producers believe this to be too pessimistic.

Tractor sales have been distorted over the past few years by the impact of the step-by-step lowering of capital allowances which has affected both the timing and the quantity of tractor purchases.

World sales of agricultural equipment have fallen again this year, however, after several years of decline, and farmers in the UK and elsewhere have been unsettled by uncertainties on commodity prices and declining income.

This year, however, farm incomes will be much better than last year, and some tractor makers expect this to be translated into higher sales next year. Mr Westrope said that in general the banks were not taking a sympathetic view towards borrowing for tractor purchases because of the decline in the value of agricultural land against which some of that borrowing is frequently made.



Registrations in the first 10 months of this year totalled 16,890. Ford's market share was 25.2 per cent, up from 22.8 per cent for the full year in 1985, partly because of the impact of new models

Massey's share of the market so far this year is 20 per cent against 21.7 per cent for the whole of 1985. The company has high expectations that it will raise its share because of the recently introduced 3000 range of French-made tractors rated at 68hp to 107hp

Tractors up to 80hp accounted for 47 per cent of sales in 1985 (42 per cent so far this year), and Massey is predicting that they will fall below 41 per cent next year.

Tractors of 81hp to 100hp took 43 per cent of the market last year (47 per cent so far this year), with Massey predicting that they will go above 48 per cent in 1987. Sales of tractors above 101hp have kept their market share steady over the past two years at just over 10 per cent.

Granada group ahead in DBS race

By Raymond Snoddy

A CONSORTIUM put together by Granada is ahead "by a nose" in the closing stages of the race for the Direct Broadcasting by Satellite (DBS) franchise race.

The Independent Broadcasting Authority (IBA) will interview all five applicants this week and expects to decide on December 3. The aim is to create three new national television channels in the UK by 1990 and deliver them to dish aerials of individual homes from high-power satellites.

The project will need an investment of anything from $440m to $725m. IBA officials have created a matrix with boxes for all the desirable elements and X is marked for every characteristic fulfilled.

British Satellite Broadcasting (BSB), the consortium made up of Granada, Virgin, Pearson Anglia and Amstrad Consumer Electronics, has more Xs than anyone else so far.

Police question three after home of Comet executive bugged

BY ANDREW GOWERS

POLICE were preparing a report for the Director of Public Prosecutions at the weekend after the discovery that the telephone of a director of the Comet electrical store chain had been tapped.

Bedfordshire police said "a number of persons" – believed to be three – had been questioned, adding: "It is likely that proceedings will result."

Mr Nigel Whittaker, finance director of Woolworth Holdings, Comet's parent company, confirmed yesterday that a recording device had been found attached to a telephone line near the home of Mr Peter Hopper, a senior Comet buying executive who joined the company from its rival, Dixons, earlier this year.

The recorder, hidden in a biscuit tin, was uncovered by British Telecom engineers conducting routine work at the end of last month, Mr Whittaker said. Two men were subsequently observed opening the biscuit tin and were later arrested in Essex, where police also found bugging equipment in their houses.

A third man, from Stratford-on-Avon, is understood to have been questioned. At his house, police found bugging equipment and documents containing information about Mr Whittaker and Mr Geoffrey Mulcahy, Woolworth's chief executive.

The alleged tapping is the latest in a series of apparently suspicious incidents surrounding Woolworth exectives. Mr Whittaker said that Comet management had become aware of what he called "a security problem" during September and that strangers had been making inquiries with neighbours about him and about Mr Mulcahy in April.

Woolworth was involved in a fierce takeover battle earlier this year, in which it successfully fought off a $2.6bn bid from Dixons.

Dixons executives were unavailable for comment yesterday. But Mr Dick Andrews, the company's personnel director, was quoted at the weekend as denying any involvement.

BASE LENDING RATES

	%		%		%
ABN Bank	11	Citibank NA	11	● Morgan Grenfell	11
Adam & Company	11	Citibank Savings	¶12.45	Mount Credit Corp. Ltd	11
Allied Arab Bk Ltd	11	City Merchants Bank	11	Nat. Bk. of Kuwait	11
Allied Dunbar & Co	11	Clydesdale Bank	11	National Girobank	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Nat Westminster	11
American Exp. Bk	11	Consolidated Credits	11	Northern Bank Ltd	11
Amro Bank	11	Co-operative Bank	*11	Norwich Gen. Trust	11
Henry Ansbacher	11	Cyprus Popular Bk	11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Duncan Lawrie	11	Provincial Trust Ltd	12
Associates Cap Corp	11	E.T. Trust	12	R. Raphael & Sons	11
Banco de Bilbao	11	Equatorial Tst C'p plc	11	Roxburghe Guarantee	11½
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Bk of Scotland	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Royal Trust Bank	11
Bank Credit & Comm	11	First Nat. Fin. Corp	12	Standard Chartered	11
Bank of Cyprus	11	First Nat. Sec. Ltd	12	Trustee Savings Bank	11
Bank of Ireland	11	● Robert Fleming & Co	11	UDT Mortgage Exp	¶12.25
Bank of India	11	Robert Fraser & Ptrs	12	United Bank of Kuwait	11
Bank of Scotland	11	Grindlays Bank	‡11	United Mizrahi Bank	11
Banque Belge Ltd	11	● Guinness Mahon	11	Westpac Banking Corp	11
Barclays Bank	11	● Hambros Bank	11	Whiteaway Laidlaw	11½
Benchmark Tst Ltd	12	Heritable & Gen. Tst	11	Yorkshire Bank	11
Beneficial Trust Ltd	12	● Hill Samuel	§11		
Berliner Bank AG	11	C. Hoare & Co	†11		
Brit. Bk. of Mid. East	11	Hongkong & Shanghai	11		
● Brown Shipley	11	Knowsley & Co. Ltd	11½		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		
● Charterhouse Bank	11				

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INTERNATIONAL PROPERTY REVIEW
THE FT EVERY FRIDAY

Britain still heads pollution table

BY LUCY KELLAWAY

THE UK exports nearly 11 times as much air pollution as it receives from other countries, making it one of the dirtiest nations in the world, according to a report published today.

Britain has easily retained its place at the top of a table which compares sulphur emissions and receipts. It is compiled by Friends of the Earth, the environmental group, using the latest figures from the United Nations.

The next worst offenders are Spain and Italy, which export about seven times more than they import, while France, West Germany and Poland export less than three times. Scandinavia, on the other hand, imports more than it exports.

The figures, published to coincide with today's meeting of EEC environment ministers in Brussels, show that of the 17 countries which have agreed to cut their emissions of sulphur, the UK is planning the most modest reductions in percentage terms.

Friends of the Earth complain about the UK's continued refusal to join the "30 per cent club" of countries agreed to cut emissions by 30 per cent from their 1980 level by 1993.

The programme announced last summer to fit three UK power stations with desulphurisation equipment, will not ensure a 30 per cent reduction until 1999. Some members of the club (which includes neither the US nor Spain) have promised to make reductions of up to 70 per cent by 1995, Friends of the Earth said.

Sulphur emissions are a major source of "acid rain," which has been linked to dead fish in lakes and to dying forests in Scandinavia and elsewhere.

Small drug groups show fastest sales growth

BY TONY JACKSON

US DRUG companies once more topped the world league last year in sales terms, according to Scrip, the UK pharmaceutical newsletter. Top of the rankings came Merck & Co, with pharmaceutical sales of $2,824m, followed by American Home Products with $2,524m.

The biggest UK company was Glaxo, moving from 18th to 11th in the world after a 22 per cent jump in sales expressed in dollars. Next among UK companies was ICI at 19th (up from 20th the year before), then Wellcome and Beecham, holding their positions at 23rd and 24th, respectively.

The fastest growth in sales came from smaller companies, starting with Alza of the US, whose $15.1m sales were up by 159 per cent. Alza specialises in therapeutic systems for controlling the rate at which drugs are administered.

PHARMACEUTICAL SALES 1985–86

	$m
1 Merck & Co (US)	2,824
2 American Home Products (US)	2,524
3 Hoechst (West Germany)	2,396
4 Ciba-Geigy (Switzerland)	2,278
5 Bayer (West Germany)	2,267
6 Pfizer (US)	1,961
7 Warner-Lambert (US)	1,872
8 Abbott (US)	1,866
9 Eli Lilly (US)	1,786
10 Bristol-Myers (US)	1,753
11 Glaxo (UK)	1,710 (est)
12 SmithKline (US)	1,654
13 Upjohn (US)	1,593
14 Sandoz (Switzerland)	1,592
15 Roche (Switzerland)	1,547

Source: Scrip

The fastest growth among the top 50 companies came from Marion Laboratories of the US, which produced sales of $399m, up 35 per cent. Among poorer performers, Roche of Switzerland continued to slide down the rankings, losing four places to 15th after sales growth of only 5 per cent.

Roche continued its high level of research and development expenditure, at $487m or 13 per cent of sales. The heaviest spender proportionately was the big US chemical company Monsanto, whose attempt to expand its drug business from a relatively small base led to spending of $90m, or 37 per cent of sales.

In the rankings by the number of new drugs under development, the highest UK entrant by far is Wellcome, whose well stocked research cupboard shows 63 compounds, 50 of which are of Wellcome's own development. This compares with the total of 95 drugs being developed by Ciba-Geigy of Switzerland, 73 of which were developed in-house.

Next among UK companies by this measure is Beecham, with 50 development drugs in total, all but three of which are home-grown. ICI has a total of 32, and Glaxo, the biggest UK drug manufacturer, trails behind with only 19.

Scrip Pharmaceutical Company League Tables, 1985-86; PJB Publications Ltd, 18-20 Hill Rise, Richmond, Surrey, Tw10 6ua.

Mercury plea over telex

BY DAVID THOMAS

MERCURY COMMUNICATIONS, sole competitor to British Telecom's main network, has called in the Office of Telecommunications (Oftel), the industry's regulatory body, to sort out a dispute with BT over telex.

The dispute is about the terms on which Mercury can connect its international telex services to those of BT. It has all the hallmarks of a similar dispute about Mercury's interconnection with BT's main network which Oftel last year resolved in Mercury's favour.

Observers have been surprised by the extent to which companies still use telex. It is worth about $1.5bn a year internationally on one estimate.

Mercury has reached agreements for the direct transmission of telex to the US, Canada, Hong Kong and Bermuda. It wanted to agree with BT on the indirect transmission of telex to the rest of the world so that it could launch a full telex service from the start of next month.

However, year-long negotiations with BT have failed to reach a settlement though BT says it still hopes for a negotiated agreement.

The main points of contention are believed to be:

● Price. BT wants to charge Mercury almost the same as it does its other customers. Mercury thinks this would mean paying BT more than other countries which send international traffic via the UK.

● Unanswered calls. BT wants Mercury to pay for unanswered calls, but Mercury thinks this would put it at a cost disadvantage.

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

MAHO

How to profit from detail

Nick Garnett on the Bavarian machine tool maker

IN THE foothills near West Germany's Bavarian border with Austria, where the cows wear bells and the mist blankets the chalet rooftops, a dozen bright orange minibuses converge every morning on the little town of Pfronten and the small villages around it.

Incongruous it may be, but in this resort close to the ski slopes West Germany's powerful machine tool industry is cranking up for another day of doggedly efficient production.

The minibuses are owned by MAHO. They ferry workers down to the company's four machine tool production sites, which include its modern factory headquarters which jostles alongsida Pfronten's picture postcard homes, with their flower-boxes and neatly hand-crafted shutters.

With a name sounding embarrassingly like one of those Japanese companies with which the West German machine tool industry is on some pretty unfriendly competitive terms, MAHO demonstrates a very simple point.

In an industry that has suffered a bit of a pasting, European companies can earn a very good living on the back of straightforward and logical production planning, continuous reinvestment in plant, equipment and research, and the clear definition of a market—in MAHO's case, standardised batch-produced milling machines.

Earlier this month the family-owned business, which churned out 2,000 machines last year, announced a 38 per cent jump to DM 338m (£120m) in yearly turnover up to June 1986. A rise of another 20 per cent for this year is confidently predicted.

MAHO's factories are happily running on three shifts and its total employment rose from 1,400 to 1,700 during the past three years in a sector more noted for workforce contraction.

It is a performance that must make many machine tool companies green with envy, and which has encouraged the company to float shares on the West German stock exchange next month.

MAHO has been lucky. Its original business was in producing technical drawing equipment; it did not build its first machine tools until the early 1950s — and has been delighted to find itself without any serious Japanese competitor.

In the machine tool industry the Japanese have been hurtful worldwide marauders for a long time. But the universal milling machine — with a vertical and horizontal spindle — is not standard gear in Japanese machine shops and the principal Japanese producer of such machines, Rikken, is relatively small.

Even apart from these advantages, MAHO's business is a lesson in clarity of vision and attention to detail, built on the regular expenditure of 4 to 6 per cent of yearly turnover oo new plant and equipment, and the deployment of similar amounts on R and D.

The company now claims a place as one of the top two European makers of universal milling machines alongside Deckel of West Germany; it has never made a loss, not even during the difficult years of 1980 and 1981. That is more than can be said for some of its colleagues in the West German machine tool federation.

"We feel rather confident about our chances," says Werner Babel, the son of one of the co-founders of the MAHO business. "We expect to grow in real terms by 5 per cent each year for the next five years."

Babel and his wife, who own 85 per cent of the shares in the business, will remain overall owners even after outside capital is brought in from December. Babel says that capital is partly needed to fund further development, and partly to provide more management continuity by attracting management expertise from outside.

Though MAHO demonstrates the typical factors that have served West German mechanical engineering for so long, it has taken them to rather extreme lengths.

Its R and D expenditure is large even by German standards, it has been spent on step-by-step improvements to its machine range, which also includes universal milling and boring and machining centres.

As a sign of that, 60 per cent of the company's turnover is derived from products less than five years old. Its modern factories and well furnished offices are equipped with 120 desktop terminals, linked to a main computer.

Another of MAHO's principal foundations is that it has not strayed far from the products it knows. When it was tempted to do so by starting up production of robots in the early 1980s it burned its fingers and was forced to abandon the activity as insufficiently profitable.

MAHO has the benefit of a substantial domestic market: 45 per cent is absorbed by West Germany while 30 per cent is exported to the west of Europe.

Babel has an optimistic view about the future of its main group of customers—toolrooms and die and mould makers—in stark contrast to the pessimism hanging over similar businesses in some other European countries, including France and Britain. He points out for example that such customers have bright prospects in materials like plastic and glass, while the fixtures made by toolmakers are becoming more varied with shorter lifespans—all good for MAHO business.

This adherence to what MAHO knows best — which could obviously go wrong if the company's view of its conventional market place proves over-optimistic — is being carried forward into flexible manufacturing systems.

MAHO has sold 20 of these FMSs, usually made up of two of its machines in one manufacturing cell, linked by automated handling equipment. The company hopes that within 10 years such systems will form 40 per cent of its business.

In line with its traditional policy, the company is again offering standardised systems rather than custom-built ones to suit particular customers. Babel says to make customised systems would require a completely different philosophy of manufacturing and design within a company weened and matured as a large batch producer.

All this does not protect MAHO from the fretting which is endemic in competitive industries. "We have to defend our European market at almost any cost," says Babel. Neither does it prevent mistakes and MAHO is a little sore that it failed to climb into the North American market earlier than it did and where it now sees substantial growth potential.

Pfronten and the towns around it, for which MAHO is such an important provider of employment, are fortunate too that the number of school-leavers is falling. MAHO employs 190 young men and women on three and a half year apprenticeships and most of these will be absorbed by the company into permanent employment. Babel says however that the significant growth in MAHO's workforce will not be sustained, nor the requirement for so many trainees.

Leadership

A talent that needs to be built on

BY MICHAEL SKAPINKER

"IF YOU gotta ask, you ain't never going to get to know." That was trumpeter Louis Armstrong's response when someone asked him to define jazz, according to Lance Secretan, who once headed the UK operations of Manpower Inc. At the Institute of Personnel Management conference in Harrogate last month Philip Hodgson of Ashridge Management College attributed a similar quote to another jazz musician, Fats Waller. The Penguin Dictionary of Quotations fails to settle the issue.

Both Secretan and Hodgson used the quote in an attempt to define the notion of leadership. As reported on this page, Hodgson told his Harrogate seminar that people cannot be taught how to become leaders. All that management educators can do is encourage leadership qualities which are already there.

Secretan, who now teaches at York University in Toronto, does not entirely disagree. To be a leader you need intelligence and a positive attitude, he writes in a new book called "Managerial Moxie." But other than that, "leadership is an acquired skill." Moxie is a slang word for courage, shrewdness and common sense, and you can build on that to become a leader.

A similar proposition guides another new book, "The Transformational Leader," by Noel Tichy of the University of Michigan's Graduate School of Business, and Mary Anne Devanna, research coordinator of the Management Institute at Columbia University, New York.

Looking at the record of business leaders like Lee Iacocca of Chrysler, the US auto giant, and John Harvey-Jones of ICI, the UK chemicals group, they conclude that "strategic transformation of organisations is not something that occurs solely through the idiosyncratic behaviour of charismatic geniuses. It is a discipline with a set of predictable steps."

Not that those steps are easily discovered, they concede. The whole field of management and leadership is already littered with instant solutions. "The One-Minute Manager" is a prime example. "There is nothing wrong with the basic message, which is to set goals with your subordinates, give them positive feedback when they do something right and negative feedback when they do something wrong. There is also nothing new in these ideas," they write. Managers clutch at at them because they seem so easy—"a quick fix in a complex world."

Both new books settle for a more modest approach. Successful leaders follow similar patterns when they turn ailing companies round. Watch them closely and some of it might rub off, say Secretan, Tichy and Devanna.

'Strategic transformation of organisations is not something that occurs solely through the idiosyncratic behaviour of charismatic geniuses. It is a discipline with a set of predictable steps'

For a start, say Tichy and Devanna, transformational leaders do not wait for disaster to strike. They manage to create e sense of urgency in the organisation before an emergency occurs. They do not maka the mistake made by much of the Detroit motor industry, which convinced itself during the 1970s that the preference for foreign cars was a passing fancy. By the time the industry woke up to the danger, its market share had already been significantly eroded.

Sensing the danger yourself is just the beginning. The hard part is to transmit it to the rest of the organisation. When General Electric took manufacturing people to Japan, Tichy and Devanna say, "the managers had feelings which bordered on terror when they realised that Japanese companies were frequently turning out products with half the number of employees and significantly lower defect rates."

By contrast, when a General Motors executive suggested that Japanese cars should be placed at every plant to remind workers what they were up against, tha idea was rejected. "It was seen as rubbing salt in the wounds of the workers," Tichy and Devanna remember.

Of course for many American and Western European companies the emergency will already have arrived, usually accompanied by large-scale redundancies. At this stage transformational leaders are already formulating a new vision for their companies.

It is difficult, during a company's dog days, to imagine a future which is not merely a recapturing of past glories. It requires a conscious leap of imagination, Tichy and Devanna say, of the sort carried out by Clark Equipment, the American construction equipment and vehicle parts company.

At the beginning of last year Clark and Volvo announced that they would merge their Clark Michigan and Volvo BM divisions to form one of the largest mining and construction companies in the world. But in 1983 Clark Michigan's managers had thought that the company was doomed.

Instead of giving up, they decided to picture an ideal competitor to the giants of the industry, Caterpillar and Komatsu. They then thought aboot which companies, together with their own, could combine to form such an ideal competitor. The result of this exercise was the acquisition of Euclid Truck from Daimler Benz and the link-up with Volvo.

There are other ways to come up with a fresh visioo of the future. Managers can be asked "to write an article to appear in their favourite business publication describing the organisation five years from now and the role they played in the transformation of the organisation."

Transformational leaders then institutionalisa the new vision. For Secretan, this means creating e company driven by tha needs of its customers rather than its managers. He cites an American Management Association study which showed that a dissatisfied customer complains about the company to 11 acquaintances while a satisfied customer only praises the company to three.

The key to satisfying customer needs is having the right proportion of creators, protectors and spenders. The creators are the "front line troops" who have direct contact with customers "that results in the cash register ringing." The protectors are the credit officers, maintenance and security staff. They do not create any wealth. Instead they protect the wealth produced by the creators.

The spenders "make up any corporation's faceless bureaucracy." They are "form fillers and functionaries with auphemistic titles such as Assistant to the President or Senior Vice-President—International Corporate Affairs. These functionaries are not capable of making tha cash register ring—they simply consume corporate wealth. They are the dependents of the creators, although they usually don't convey that impressiou."

The effective corporate leader, Secretan says, ensures that creators account for at least half the total wage bill and "get the best facilities and get them first." The manager who will never becoma a leader is the one who allows the protectors and spenders to have their way.

"These are the banks that always have only a couple of tellers providing customer service when the line-up is a block loog while 30 stunned supernumaries look on as tha tellers frantically attempt to avoid a riot," Secretan says.

Transformational Leader is published by John Wiley and Sons, price £19.45. Managerial Moxie is published by Kogan Page, price £12.95.

Westpac

WESTPAC, the subject of last Monday's article on this page, was formed out of a merger between the Bank of New South Wales and the Commercial Bank of Australia (CBA), not between the Bank of New South Wales and the Government-owned Commonwealth Bank of Australia (CBA) as stated in the main article. We epologise for the error.

Company Notices

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THE ARTS

Huddersfield snap

Anyone who remembers the early years of the Huddersfield Contemporary Music Festival—slightly home-spun, with the main attractions crowded into one weekend—must be amazed by the current festival, which ends on Wednesday. The programme is stuffed with good things; thematic strands jostle against each other throughout be ten days of concerts. Indeed, if any criticism ca nbe made of the 1986 programming it might be that there are just too many themes; that half the number of featured composers might have allowed a more leisurely exploration of each one's achievement.

The list of composers nicely mixes familiar with neglected names. Lutoslaski and Kurtag hava been well promoted in Britain in the last decade; the music of York Höller and Klaus Huber is heard occasionally, but that of Helmut Lachenmann and Heinz Holliger not at all. A short visit to Huddersfield is no longer enough to sample all the elements, but Saturday was given over more or less exclusively to Lachenmann: three concerts contained five substantial works, enough to give some idea of the range and concerns of this tantalising and increasingly important figure in German music.

Lachenmann was born in 1935, part of the same European generation as Maxwell Davies and Birtwistle, which grew up artistically in the shadow of the post-Webern serialists. Lachenmann's mentor was Luigi Nono, with whom he studied and who remains a close friend, but his own musical interests have strayed a long way from the serialist straight and narrow, into an exploration of the very nature of musical sounds and the ways in which they are produced.

The first of his pieces heard in *Huddersfield introduced* those preoccupations most impressively *Gran Torso* is a 20-minute strong quartet, composed in 1972 and revised seven years later, in which the players explore the acoustic possibilities of their instruments in every way that does not involve traditional methods of sound production. They might bow the tail piece of the belly of their instrument, and use pitches with great frugality, yet the musical structure that emerges is as tight and well argued as anything more conventionally conceived; the creation of a new syntax seems thoroughly coherent. Similarly the solo cello *Presson* (1969), described by the composer as "an introduction to instrumental *musique concrete*" is a voyage of exploration around the sonic potential of the instrument, progressively drawing the listener into the smallest nuances and particles of extra-musical sound.

If *Pression* and the exquisite and ingenious set of children's piano pieces *Ein Kinderspiel* (1980) seems as much concerned with establishing the ground rules of the compositional approach as with the composer's traditional job of writing great music, *Salut für Caudwell*, for two guitars (1977) seems a substantial achievement in its own right. It is dedicated to the memory of the English Marxist writer Christopher Caudwell, killed in the Spanish Civil War; fragments of one of his books are chanted by the players about one-third of the way through the 25-minute piece. The rest, though, is entirely instrumental, a magical re-voicing of that almost intractable pair of instruments, a dialogue of whispered chords and fleeting glissandos put together with impressive restraint and cogency.

Music of such discrimination and understatement requires the most fastidious interpretation, and necessarily must rely on committed performers—here the Berne String Quartet, cellist Frances-Marie Uitti and guitarists Wilhelm Bruck and Theodor Ross. It's understandable if British instrumentalists should so far have been chary of devoting lavish amounts of preparation to music that will be totally unknown to the home audience, though Musica did introduce two pieces in a concert last summer.

Andrew Clements

Architecture/Colin Amery

Protecting the ecclesiastical fabric

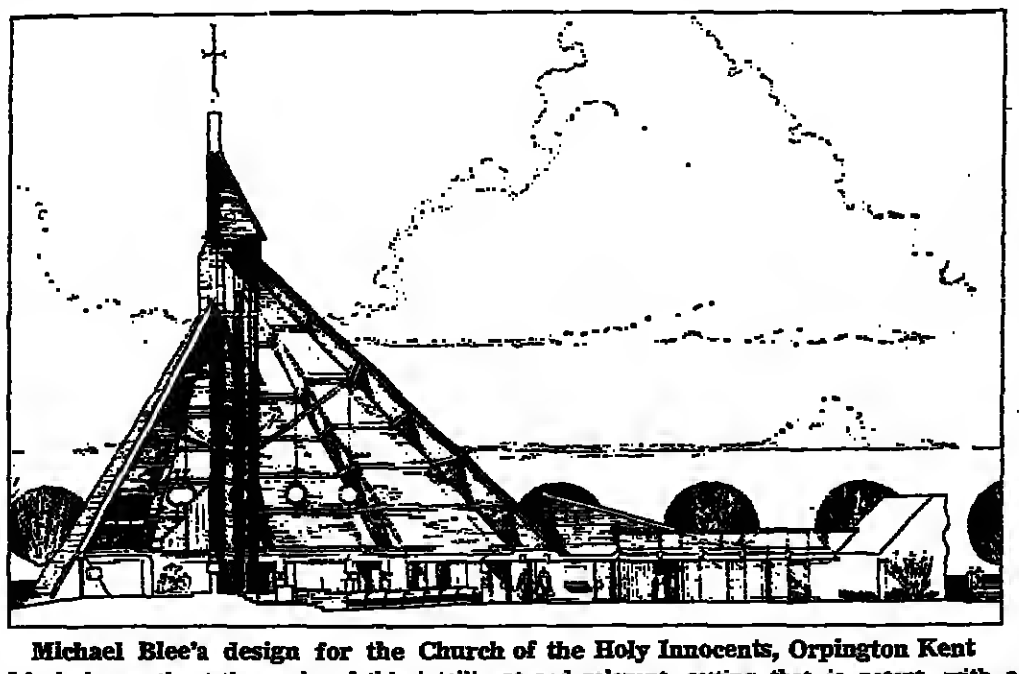
It is interesting to reflect that less than 50 years ago any architectural exhibition as major and important as the one now at the Royal Academy would have included some new churches. *Instead today* we have two great cathedrals of commerce and the almost inevitable museum. Public architecture has become principally commercial or cultural. Few architectural training courses include churches as student projects (curiously recent courses have included cemeteries and mausolea).

While *Faith in the City* and the general attitude of the ecclesiastical authorities suggests that built fabric is often an embarrassment, it is important to remember that architecture can and often does express more than material values. New churches are often not very sympathetic places. Too often they smack of the compromise and the belief they should be dual-purpose or multi-functional "worship centres."

The post-war building boom of churches in the new towns and the bombed areas of our cities produced a crop of varied quality Architects such as J. Harold Gibbons, N. F. Cachemaille-Day, Lord Mottistone, and Paul Paget, and the late-flowering Sir Edward Maufe managed to make the most of economic stringency and an uncertain retreat from traditional architecture.

A visit to Coventry and a look at several of the new churches that support the cathedral and were built mostly in the 1950s is something of a revelation of the approach of the Festival of Britain designers to the church problem. The type is familiar: sloping walls, detached campanile, curved copper roof, and the wall behind the altar usually panelled in walnut and sycamore; on the floor a fitted blue carpet. There were just vestiges of the gothic, flattened arches and the mandatory etiolated crucifix.

Any good architect should at some point in his career design a building that has a symbolic purpose beyond the everyday.



Michael Blee's design for the Church of the Holy Innocents, Orpington Kent

I looked recently at the work of Michael Blee who designed the Church of the Holy Innocents at Orpington. I have previously noted his work at a priory he designed at Sayers Common in Sussex. His work is of interest, as much because of the struggle he undertakes to establish a contemporary religious meaning in his churches as for the finished result. This little church stands in the centre of an average world, a modern housing estate of uniform homes in modest gardens.

Michael Blee's church is a serious attempt to invoke the resonances of ancient religion in the modern world. His chief weapon in this battle is geometry. Difficult as it is to imagine the sacred grove in new Orpington, it does no harm to try and imagine it. Trees circle the site and the plan of the church places the tabernacle at the very centre of a spiral plan. From this point the great tapering roof is supported on a series of vertical beams that soar upwards like trees.

The architectural treatment of this intelligent and relevant geometry inevitably has a rather dated quality. The lining of a large tent-like roof with timber reminds one immediately of the Scandinavian influences of the late 1950s. The use of an orange wool curtain fabric is also an alienating and coarse touch.

The outside has more conviction aesthetically. Grey slates and a gathering of whitewashed smaller elements under the eaves of the great roof create an appealing unity. It is a thoughtful, simple shelter for the timeless activity of saying the mass. In form it does evoke as much the tents of the exiled Israelites as the barn-like early Nordic churches.

How much of this is sensed by the present congregation remains an open question. Liturgical changes, the decline of quality in figurative art, the apparent desire for multi-use spaces all work against a satisfactory church architecture. However it must be stressed that the church is still the place where so many important *private events* take place in public and it should provide a setting that is potent, with a sense of history and meaning.

There are still enormous problems for the Church to maintain the giant Victorian churches of the inner cities and the cathedrals that need constant maintenance. Appeals for their fabric funds still succeed and there is an element of state aid. But there are some worrying cases. The National Heritage Memorial Fund's grant of £183,700 as a further payment for the preservation of the Victorian, All Souls, Hayley Hill, is one of the few grants for churches in the newly published account of the Fund's activities.

As a national fire engine funded to turn up and rescue the heritage at the last moment the fund does as well as can be expected. The need for a national policy on the care and protection of churches is an area where the Fund could provide some impartial leadership. The provision and protection of the ecclesiastical fabric of Britain remains a muddle — reflecting no doubt only too accurately the collapse of confidence in established religion.

Ashes/Bush

Martin Hoyle

David Rudkin's harrowing study of infertility was written in 1974 and produced in both London and New York in the following two years.

At the Bush Theatre at Shepherd's Bush Green the first revival for a decade reveals writing still powerful, though occasionally dangerously skirting bathos in its mingling of lyricism, the anguished self-examination of the childless couple, and the bleak metaphor of the sterile man as motherless son, the Ulsterman rejected by the womb of his homeland (as his wife's womb rejects children), ostracised and disowned for deserting across the water.

The language speaks of bloom and blight, the burgeoning and the blasted, as in the sick elms, stripped, cut down and burnt—an echo of the wife's terrible cry, after miscarriage and hysterectomy, that she can see the smoke from the incinerator where her womb is burning.

Anne's revelation that she was carrying twins, one of whom died and forced out the other, provides a haunting parallel for her husband's fratricidal country.

The play's balance suffers from the suddenness of the political elements in the second half, though Colin's monologue on the Belfast bomb atrocity, its victims and the family funeral that took him home is very fine. The work's first part is suffused with a grim jokeyness in the brave tradition of Peter Nichols's *Joe Egg*. Courting mad laughter in the throat of death, the couple briskly address the audience in a relentless resumé of their desperate quest.

Richard Kane plays a series of experts—doctor, seminologist, gynaecological surgeon—who subjects them to tests and treatments; the whole is shot through with the defensive self-mockery of concealed pain.

Here reservations set in. There is a fine line between the wry knowingness of those who joke about their agony and the broad humour of caricature. Both Mr Kane, genteelly Edinburgh-accented as the curator— sporting seminologist, and Sheila Gish (broad northern accent) come down on the wrong side; and Sally Watts, in five supporting female roles, is noticeably better when playing it straight—as with the adoption society interviewer—than when being consciously comic as the ironically fecund Brummie neighbour.

As the wife, Miss Gish, her usual blonde glamour here podgily domesticated, is moving in grief and honesty. Denis Lawson's study in duality—homosexual and heterosexual, Irish in England, a Protestant in Ireland — has the right ironic detachment while never concealing the bitterness beneath.

Rob Walker directs sparely and simply on a dark stage where one curved ribbon of light on floor and walls forms a mockingly ovoid frame.

Alastair Muir

Denis Lawson and Sheila Gish

Britten memorial/Wigmore Hall

Dominic Gill

Benjamin Britten died 10 years ago and a number of concerts and series have marked the anniversary. The Nash Ensemble's "Benjamin Britten Memorial Concert" on Saturday broadcast live on Radio 3 from the Wigmore Hall, was one of the odder homages: a programme made up for the most part of uncharacteristic, unpublished or second-rate Britten and for a finale one major work, Mozart's G minor piano quartet.

That finale, given Britten's lifelong devotion to Mozart, was perhaps the evening's aptest homage but those unfamiliar with Britten's music would have found *little in this programme* to convince them and admirers little to remind them, of his lasting stature as a composer. *Perhaps the delicate Lachrymae; Reflections on a song of John Dowland* for viola and piano, written for William Primrose in 1950 will have left the most durable and characteristic mark: especially rounded as it was here by the Nash's violist Roger Chase with such strong and fiery colours and with splendid warmth and resonance.

The little *Phantasy* op.2 for oboe, violin, viola and cello is essentially a student ssay—though of remarkable promise, and already in command of some of the lyrical toughness which gave the best of the later work its mordant edge. But it really plays no more significant part in Britten's oeuvre than his early (1935) unpublished setting for baritone and piano of Blake's "A Poison Tree," here performed in public for the first time—hard and angular, curiously awkward in its unfamiliar Bartokian resonance; or another student essay, an Introduction and Allegro for piano trio dating from 1932, alive with good intentions and a powerful pastiche of Ravel.

The Blake poems of 1965 are among the least memorable of all Britten's vocal settings—there are many passing felicities, but the sequence is earthbound, nothing catches fire. Henry Herford sang them strongly, and with as much colour as he could muster, but without conviction. The Nash's account of Mozart's G minor quartet proved to be disappointingly earthbound also, chiefly by reason of their pianist Ian Brown's unrelentingly stolid and inflexible rhythmic support. And I wonder whose decision it was to include in our programme-book an exceptionally pallid and misleading programme-nota on the quartet by Britten himself — since when was one of Mozart's toughest and most exuberantly inventive movements "the sort of gay careless melodious piece which gave Mozart for so long the reputation of being a charming trifler?"

The Last Waltz/Soho Poly

Michael Coveney

This is a promising play by a new writer, Gillian Richmond, which brings together two army wives in 1976 and drives them apart 10 years later. It is truthful and funny in dealing with companionship among fellow buman appendages and throws many a sharp glance at how status lived at second hand can be both ludicrous and destructive.

The subterranean Poly is fitted out by Amanda Fisk with an army camp wire mesh fence (somewhere near Salisbury), a domestic interior, social club/pub area and a roadside telephone. With linking pop music, director Sue Dunderdale has covered the many scene and costume changes with aplomb, while Celia Imrie as the Cockney mother, Denise and Alexandra Pigg as the Liverpdlian newlywed, Christine, get on with their fine performances in a shifting power relationship.

Soma scenes need further honing and a tendency to prolixity spoils, for instance, tha impact of Miss Imrie dressed in black leather for a fancy-dress party being interrupted by a parson with news of her busband's accident. (He bas shot himself in the foot and said goodbye to promotion.) But the double act is well prepared from the minute Denise, *knowing in high-heels, with 12* years of marriage and seven homes behind her, descends on the quivering Christine with an offer *of a ticket for the wives'* club's outing to an Engelbert Humperdinck concert in Southampton.

Tha title of the play and Engelbert's biggest hit—at first counterpointed with Christine's preference for Elton John — reflects what bappens, with Denise hitting 40 and losing her jauntiness, while Christine's Pete has made the leap to the rank of commissioned officer. Costume charts the reversals, too: Denise's cocktail dress and Christine's peach trouser suit (check those flares) are replaced by a clown's outfit and tha regal attire compatibla with *Pete's elevation.*

Miss Pigg, a little less confident than she is on the screen, nonetheless handles the progression from soft ingenue to stilted parvenu with a saving charm, whila Miss Imrie, decisive, funny and corrupting, is left battered, bruised and bewildered, to shed tba tears of an abandoned clown.

Contract extended

Mark Elder, music director of the English National Opera, has extended his contract with the company for another three years, to the end of 1989.

Sleeping Beauty/Covent Garden

Clement Crisp

The latter stages of a run of Sleeping Beauty — nine performances in four weeks — should offer encouraging signs *of stylistic clarity, sure* interpretation. Not so at the Royal Opera House on Friday night when I saw my fourth *Beauty* since the season began and found little to rejoice the spirit. It is ironic that it was Gelsey Kirkland's début appearance f0 days ago which best illuminated the ballet; supporting performances have otherwise been dim, and the "house" Auroras have not matched the imaginative and technical resource that were so happily part of Miss Kirkland's reading.

I have heard it said that the Royal Ballet is dancing somehow "better" under Anthony *Dowell's directorship. Tho wish,* I fear, is father to the opinion. The company certainly needs to reconsider its classical beritaga and its Ashton repertory, and to present this essential matter with greater power and bolder style, but a few weeks of Mr Dowell in the director's chair cannot work miracles.

It will take years of disciplined change to correct the lax manner, the uncertainties, the physical and spiritual woolliness, that mark tha company's classic identity now. (I have rarely seen drearier performances of the Lilac Fairy, or of some of the Prologua fairies and their cavaliers, than this season.) It will take time, too, to shape talents of interest greater than that of parochial favourites, a reflection both upon training in the School and on coaching within the ensemble.

Beauty looks impoverished—despite an abundance of red heels and fal-lals in the costuming—because energy, grandeur of feeling are nowhere evident in the production attitudes or the outlines of the dancing. The Royal artists' fatal way of performing within the compass of their bodies, instead of reaching out into the surrounding theatrical space, gives interpretations a self-absorbed and uncertain air. No man on stage seems able to make a simple *gesture, as did Andris Liepa in* the Bolshoy's *Raymonda*, which is a salute and a challenge to the furthest reaches of the theatre; few *female soloists* dance, as do the Bolshoy's women, with that radiance which turns steps into a language spoken with pride

Friday night's Aurora was Ravenna Tucker, gentle in charm neatly, assured in manner, and at her best in tha Vision scene solos which she phrased with a delightful delicacy. Her cavalier was Jonathan Cope, impressive in the technical scale of his dancing in the last act.

Günter Wand/Festival Hall

Max Loppert

The London rediscovery of Günter Wand by the BBC Symphony Orchestra must surely count among its most significant acts of tha last decade. Wand's concerts with the BBC (of which be is now chief guest *conductor*) rank with the most regularly rewarding events on the London calendar: under this undemonstrative senior German the BBC playing boasts the kind of fullness, vigour, and conviction that nobody else seems able to inspire these days. And the shining rightness of the playing is matched by the effortless rightness of the music-making—is, indeed, the same thing. To bear Beethoven and Bruckner symphonies as Wand gave them on Thursday is to be reminded how mnch triviality and showmanship there is on South Bank, and how little genuinely intelligent musical direction. But the rewards of the concert did not stop with that demonstration.

In a way, the pleasure of bearing Beethoven's First Symphony so sentiently and stirringly done was perhaps the more surprising aspect of the evening. The usual fate of this work is the concert warm-up, to be rattled throngh or tossed off as untroublingly as possible. On this occasion, routine had been banished; every note and every pbrase had been given due attention and consideration.

At the very start the listener became aware of an overall conception of the symphony to which the execution of all parts *was being directed*; the discourse unfolded with blessed clarity and poise and, therefore, the sense of exhilaration mounted in exact proportion.

Wand may be unconcerned with currently fashionable questions of authentic orchestral timbre and size (there was no reduction in string numbers), yet the energy flowing out of the music seemed a natural inberitance from Haydn—and that conferred the most valuabla kind of Beethovenian authenticity. In every way this was a model reading.

Wand's Bruckner Nine bad exactly the same kind of intelligence and intelligibility. He is not a "slow" Brucknerian. Measured, yes; bnt because every incident seems to unfold at its proper rate and pace, the music gains a vital inner life.

The treatment of tempo in the first movement was particularly *illuminating*: no hesitation about broadening expressively at key moments, a central steadiness maintained throughout. There was perhaps a slight shortage of orchestral colour-for-its-own-sake in the sulphurous flickera of the Scherzo. But the dignity, honesty, and completeness of Wand'a Brucknerian vision mada that supremely unimportant.

Rochberg's Trio/Wigmore Hall

Andrew Clements

The Beaux Arts Trio'a very *thorough* exploration of the piano-trio literature has until now tended to steer well clear of contemporary music; has *stopped*, in *fact*, with the trios of Ives and Shostakovich. But in February this year they gave the first performance of George Rochberg's Trio for piano, violin and cello, written in 1985 to a commission for the Beaux Arts from the Coolidge Foundation of the Library of Congress.

Tha British premiere of Rochberg's Trio formed tha centrepiece of the Beaux Arts' Wigmore Hall programme last Thursday. It sheltered between Beethoven (the G major Trio, *Op 1 no 2*) and Brahms (Op 8, in B), given in accounts that paraded the group's particular brand of carefully manipulated exuberance more effectively than its equally polished expressive rubato, when intonation problems tended to mar the impeccable curves.

Rochberg's style settled quite cosily into such a context. He is now totally the *born-again* romantic, heving purged his language of the last vestigas of the assorted serialisms that sustained it until the aarly 1960s. The Trio is cast in three movements playing for just 20 minutes; the first and last are E major sonata forms, the central Largo in a wayward B flat, and the tonal processes entirely regular and undemanding.

Much of the melodic construction recalls the ebullient side of Shostakovich (as exampled in the two piano concertos) more *than* anyone, though the gently rotating melody of the opening has a Ravelian tinge.

Rochberg passed through a compositional phase in the late f960s in which quotations from other composers had a paramount role. Now it seems he has absorbed the liguistic melange into his own musical instincts without a hint nf *self-consciousness*. The different elements do not jar—the dovctailing is too neatly made for that—but neither *do* they cohere into a single musical statement.

What he has prodnced for the Beaux Arts is a parade of gestures which they can deliver in their inimitable fashion with the piano assuming primary importance and the strings genarally reduced to an accompaniment.

The transition to the finale is surely intended as a deliberate nod to Beethoven; certainly it was played with the same confidence aod elan the Trio would have brought to a work by Beethoven himself.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 21-27

Music

LONDON

Philharmonia Orchestra conducted by Bernard Haitink with Vladimir Ashkenazy, piano Rachmaninov and Bruckner. Royal Festival Hall (Mon). (928 3191).

London Symphony Orchestra conducted by Claudio Abbado with Rudolf Serkin, piano Mendelssohn, Mozart and Beethoven. Barbican Hall (Tue). (638 8891).

London Philharmonic conducted by Sir Georg Solti. Haydn and Mahler. Royal Festival Hall (Tue).

London Mozart Players conducted by Jane Glover with Simon Preston, organ. Milhaud, Poulenc, Ravel and *Mozart. Royal Festival Hall* (Wed).

Royal Philharmonic Orchestra conducted by Antal Dorati with Jorge Bolet, piano. Brahms. Royal Festival *Hall* (Thur).

Monteverdi Choir and English Baroque Soloists. Mozart programme conducted by John Eliot Gardiner. Barbican Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw, piano recital by Güher and Süher Pekinel (Mon). The Netherlands Philharmonic conducted by Ken-Ichiro Kobayashi, with Susan Kessler, contralto: Weber, Mahler, Ravel, *Stravinsky (Tue). Royal Conservatory* Symphony Orchestra under Rienbert de Leeuw, with Yvonne Loriod, piano, and Jeanne Loriod, ondes *martenot: Messiaen* (Wed). Recital Hall: Concerto Rotterdam conducted by Heinz Friesen, with Hans Roelofsen and Rudolf Senn, double bass: Sammartini, Bottesini, Rossini, Turina, Mozart, Donizetti (Tue). The Juilliard Quartet: Mendelssohn, Sessions, Beethoven (Thur). (71 83 45).

Rotterdam, De Doelen. Organ recital by Arie Keijzer: Bach, Mendelssohn, Franck, Keijzer (Mon). Recital Hall: Alban Berg Quartet: Mendelssohn, Shostakovich, Beethoven (Tue). Harro Ruysenaars, cello, and *Richard Brautigam, piano: Beethoven* (Wed). The Touring Music Ensemble led by Christian Bor: Beethoven, Ravel, Mendelssohn (Thur). (414 29 11).

Utrecht, Vredenburg. Herbert Blomstedt conducting the Rotterdam Philharmonic, with Michaela Martin, violin: Berwald, *Mozart, Strauss* (Thur). Recital Hall: The Sonderlijc Ensemble with 15th and 16th-century music and song by Dutch composers (Tue). *Touring Music Ensemble* led by Christian Bor: Beethoven, Ravel, Mendelssohn (Wed). French chansons sung by Allain Leprest (Thur). (31 45 44).

The Hague, Diligentia, Hague Philharmonic chamber ensemble: Triebensee, Haydn, Gouvy, Ponse, Janacek (Wed). (65 18 51).

The Orchestra of the 18th Century conducted by Frans Brüggen, with John Gibbons, piano: Haydn, Mozart, Schubert. Tue in Maastricht, Stargebouw (21 33 00), Wed in Nijmegen, Vereeniging (22 11 00).

Eindhoven, Schouwburg. The Brabant Orchestra conducted by Theodore Bloomfield: Busoni, Mahler (Thur). Globe Theatre: Touring Music Ensemble led by Christian Bor: Beethoven, Ravel, Mendelssohn (Tue). (11 11 22).

PARIS

Zehava Gal, mezzo, Dalton Baldwin, piano (Mon). Théâtre de l'Athénée (4742 6727).

Orchestre de Paris: chamber music: Schubert (Tue 6.15pm). Salle Chopin-Pleyel (4561 0630).

Ensemble Intercontemporain conducted by Peter Eotvos, BBC Singers conducted by Simon Joly: Steve Reich (Tue, Wed). Theatre des Amandiers, Nanterre, regional metro connection (4721 2225).

Orchestre de Paris conducte by Mstislav Rostropovitch, Jard van Nes, mezzo-soprano, Orcheste de Paris choir conducted by Arthur Oldham: Prokofiev (Wed, Thur). Salle Pleyel (4561 0630).

Ensemble Instrumental Alexandre Stajic: Bach, Mozart, Dvořák (Thur). Salle Gaveau (4563 2030).

Verdi Requiem (Thur). St-Eustache Church (4056 8542).

VIENNA

Vienna Symphony Orchestra conducted by *Gerd Albrecht. Smetana. Musikverein.* (Mon).

Heinrich Schiff, cello, Aci Bertoncelj, piano. Beethoven, Shostakovitch, Bach, Debussy. Konzerthaus Mozart Saal (Tue).

Alexandra Lagoya, guitar. Sanz, Bach, Paganini, Tarrega. Musikverein Brahms Saal (Wed).

Vienna Symphony Orchestra conducted by Sir Yehudi Menuhin with Vienna Boys Choir and Ileana Cotrubas. Mozart's La Betolia Liberata. Konzerthaus (Wed).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Martha Argerich piano. Paul Neubauer violin, Leonard Davis viola. Bach, Beethoven, Hindemith (Tue); Zubin Mehta conducting, Marilyn Horne mezzo-soprano. Webern, Mahler, Paine (Wed). Lincoln Center (874 2424).

Philharmonia Virtuosi (Town Hall): Richard Kapp director, Marvis Martin soprano. Barber, Berlioz, Ives, Sousa (Tue). (842 1818).

Merkin Hall (Goodman House): Jacquelyn Helin piano recital. Thomson, Copland, Barber, Gershwin (Mon); Koichi Aiba flute recital. Mozart, Bach, Doppler, Clyde Criner (world premiere), Muczynski (Tue); Music Today. Gerard Schwarz conducting, Andre Emelianoff 'cello. Robin Holloway, Shulamit Ran, Rudi Stephan, George Rochberg, Joseph Schwantner (Wed). 67th w. of Broadway (362 8719).

WASHINGTON

National Symphony (Concert Hall): John Mauceri *conducting*. R. Strauss, Mahler, Stravinsky, Scriabin (Tue); James Conlon conducting. Daniel Barenboim piano, Rudolf Firusny piano. Beethoven, Stravinsky, Ravel (Wed). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Erich Leinsdorf conducting. Debussy, Wagner (Wed). (435 8111).

TOKYO

Micrologus Medieval and Renaissance Music Ensemble: 14th and 16th century Italian music. Aoyama Theatre (Mon). (237 9999; 980 8866).

Annerose Schmidt, piano. Beethoven, Berg, Schumann, Chopin. Tokyo Bunka Kaikan Recital Hall (Wed). (461 2500).

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FINANCIAL TIMES

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Monday November 24 1986

Waking up Europe

THE EMBARRASSING disclosures about President Reagan's policy towards Iran, added to the confusing outcome of the Reykjavik summit, have once again underlined the need for a strong European voice in world affairs. In both cases, the consultation procedures between the US and its European allies appear to have been deficient, with the result that Washington's partners can no longer have the same confidence as they had before in allowing the US to be the sole spokesman of the West in a number of key areas.

There is no area for which this is more relevant than arms control. In spite of the constant exchanges of view which have taken place between the US and its allies within the Nato institutions, it was still possible for Britain, France and West Germany to be seriously concerned about Mr Reagan's negotiating position in Reykjavik.

Largely as the result of pressure from its European allies, the US Administration subsequently "clarified" its position to take account of Europe's fears that it would remain dangerously vulnerable to the Soviet Union's overwhelming strength in conventional forces in the event of total nuclear disarmament.

Mrs Thatcher, who agreed with Mr Reagan in Washington a week ago on the priorities of arms control, could be said to have represented the European point of view, though not in any formal way. Certainly, President Mitterrand of France was able to declare that the British and French positions on the subject were very close after his meeting in Paris with the Prime Minister on Friday.

Yet the fact remains that the European countries' views were not expressed with sufficient force and unity until after the event and, even then, in such a disparate way that the outside world could be excused for thinking that there was no really common Western European position.

The failure of Europe to make its voice heard is even more striking in other foreign policy areas such as the Middle East, particularly since the US has proved to be incapable of either advancing the Arab-Israeli peace process or bringing the Iran-Iraq war to an end.

That has not always been the case. At one stage, in their 1980 "Venice declaration," the European Community members laid the foundations of a new approach to the Palestinian problem through a specifically Europe-Arab dialogue. Though that initiative progressively ran into the sands, such an important problem affecting the interests of most Western European countries must surely be considered a suitable area for a common stand.

Urgent revival

A revival of European interest in devising a joint Middle Eastern policy has been made all the more urgent by the Arab world's disillusionment with US policies towards the region in the wake of American arms shipments to Iran.

Both President Mubarak of Egypt and King Hussein of Jordan, who met in Cairo over the weekend, expressed astonishment at Mr Reagan's decision and said US credibility in the Middle East was at stake. Coming from two of Washington's main allies in the Arab world, those statements must be seen as a serious warning.

The Jordanian monarch's intention to visit some European capitals as well as Washington is altogether more promising since it affords the European Community an opportunity to revive its Middle East policy.

However, no one can be in any doubt that the formulation of joint foreign policies will continue to be a difficult process, given the diversity of interests of the member states. Recent reforms, such as the creation of a special secretariat for foreign policy co-ordination are likely to have only a marginal effect.

What is required now is a much greater degree of harmonisation than hitherto of the foreign policies of the major members of the Community, whose individual views already carry some weight in international affairs. That, at least, would be a practical first step towards the desired, but probably still far-off, goal when Europe will be able to speak with one voice through a single spokesman.

Myopia about retirement

PENSIONS HAVE rarely been out of the news in the 1980s. The latest preoccupation is the status of the large surpluses accumulated by many company schemes—do they belong to employees or to management and shareholders? Last year, the debate was about the future of Serps, the state earnings-related scheme; before that the focus was on portability and the appropriate treatment of early leavers from corporate schemes.

In spite of considerable legislation and much debate, only a pronounced optimist would claim that the UK has yet achieved an optimal pensions structure. The need for one, however, is growing. The trend towards earlier retirement has accelerated; at the same time life expectancy continues to lengthen. Many people, especially women, retiring in their middle to late 50s, whether willingly or unwillingly, can expect to survive for another three decades. Soon, it will not be unrealistic to think of an adult life as roughly evenly split between work and retirement.

Lengthening periods of retirement will make adequate pension provision more difficult. In the past, the ratio of working to retired life was higher, yet individuals still failed to make sufficient provision: such neglect is the single most important cause of poverty in Britain. The present poverty of the elderly reflects both the ravages of inflation and what economists call the individual's "myopia" — the discounting when young of the problems of old age.

Lowish ceiling

The response of both public and private sectors to the pensions challenge leaves much to be desired. The Thatcher Government has been promoting a switch from state to private pensions. It has severed the link between the basic state pension and the growth of average earnings, ensuring that those reliant on it will grow steadily poorer relative to the rest of society—something which is unlikely to be politically acceptable in the longer-term. It has also roughly halved the prospective benefits from Serps, which had been designed to provide a supplementary pension worth one quarter of people's average earnings below a lowish ceiling.

The pruning of state pensions has reflected worries about their economic burden in the 21st century. However, the cost of providing adequately for the elderly cannot be reduced merely by a shift to private pensions. The type, as opposed to the level, of pension provision should be determined by three criteria: security, consistency with job mobility, and administrative costs.

State pensions score highly on all three counts: they offer maximum security in an uncertain world; they allow complete job mobility; and they are relatively cheap to run. The private sector cannot meet these standards. The much-vaunted "personal pensions" do offer perfect mobility. But administrative costs, which will fall on customers, are extremely high, especially for low earners. And security is poor: nobody knows what the contributions will eventually buy. It depends on stock market performance, inflation and interest rates, both over the next few decades and at the precise time of retirement. These are quite unpredictable—who in 1976 forecast the economic conditions of the 1980s?

Company schemes, given their economies of scale, are cheaper to run than personal plans, although still less efficient than a national scheme such as Serps. But they score poorly on job mobility. By pooling risks they offer more security than their portable plans, but the security is far from complete.

Exceptionally buoyant stock-markets and low inflation have given companies a golden opportunity to restructure schemes so as to offer benefits guaranteed in real terms. Most have failed to do so and seem proud of ad hoc revaluations of pensions in payment. Continued failure to think consistently in inflation-adjusted terms shows the private sector at its worst. The alarming possibility that management changes could result in the winding up of schemes and the appropriation of surpluses can only add to the insecurity felt by members of company schemes.

Pensions are an unpopular subject because people dislike thinking about old age. However, with retirement becoming e progressively more significant component of adult life, dispassionate questions about the rationality of present pension arrangements—and the balance between state, company and personal schemes—still need to be answered.

SOVIET AGRICULTURE

A harvest of high hopes

By Patrick Cockburn in Moscow

MR YEGOR LIGACHEV, number two in the Politburo, chose the traditional meeting of the Soviet leadership on November 6, the eve of the anniversary of the Bolshevik revolution, to unveil the best piece of economic news Mr Mikhail Gorbachev has had since he became leader. He announced that the Soviet grain harvest in 1986 was 210m tonnes—30m tonnes more than the average for the last five years.

Gone are the days when, under Mr Leonid Brezhnev, the size of the harvest was a state secret; this year's good news has been given wide publicity.

The larger harvest comes at a very convenient moment for the Soviet leadership: it reduces the need to import grain from the West at a time when Soviet hard currency earnings are down as a result of the fall in the price of crude oil; and it means that Moscow can, if it wishes, do without importing any grain from the US, the only significant trade between the superpowers over the last decade. The timing could scarcely be worse for the world grain trade, however: the trade has relied heavily on the Soviets as its largest customer at a time when sales are severely depressed.

Imports this year could fall from their peak of 55m tonnes in 1984-85 to as little as 10-15m tonnes, assuming that consumption is 220m tonnes. Indeed, US market experts are forecasting that the Soviet Union may buy no maize at all from the US this year—for the first time in 16 years.

The size of the grain harvest has become a symbol of the economic health of the country as a whole and is a matter of great political significance.

But while publication of the grain figures for 1986 reveals increased production, it does not analyse the causes. The harvest clearly benefited from good weather in the spring and autumn, enabling farms to overcome the effects of a mid-summer drought. But did it also, as the Communist Party daily Pravda claimed earlier this month increase because of the improvement in procurement prices, incentives, management and transport introduced since 1982?

The sensitivity felt by the Kremlin over the state of Soviet agriculture is understandable. It affects not only the country's economic performance overall, but the daily lives of ordinary Soviet citizens, a third of whom—some 96m out of a total population of 276m—still live in the countryside. This is a much higher proportion than in Western Europe or the US. The two-thirds of Soviet citizens who live in cities and towns can scarcely ignore the failings of the agricultural sector any more than their rural neighbours—queues outside foodshops and shortages within are a constant reminder.

Shortages continue despite enormous investment and 40bn Roubles in annual government subsidies for meat and milk production. The problem, as in the rest of the Soviet economy, is not that production has failed to go up (since the last war Soviet agricultural output has gone up by 3.4 per cent a year compared with 2 per cent in US) but that demand, propelled by very low prices, has risen much faster.

The retail prices of all the main foodstuffs have not risen since 1962. Over the same period, money incomes have almost doubled. Meat in a state shop costs 1.75 roubles a kilo while production and distribution cost 4.70 roubles. At this price, output will never catch up with demand.

The lack of balance between the retail price of food and rising real incomes has led to the highest food subsidies in history. And Soviet attempts to boost the politically sensitive supply of meat to the population has led Moscow to become the world's biggest importer of feed grains as the number of livestock shot up in the late 1960s and early 1970s.

Is this period now coming to an end? Will Soviet grain output achieve in the near future the level of 200m tonnes in a bad year and 250m tonnes in a good year which Mr Gorbachev says is perfectly attainable? Will Soviet agriculture cease to be a ball-and-chain for the rest of the economy?

Soviet agriculture remains primitive compared not only with Western Europe but with Eastern Europe. Grain yields per hectare are only half those of Bulgaria. This means that the basic development of the Soviet countryside will continue to absorb a third of all capital investment for the foreseeable future. But, on the bright side, there are signs that better procurement prices, incentives and infrastructure appears to be leading to increased output.

But even if grain production has increased slowly over the past quarter of a century, harvests are still very variable. The peak of the last decade was 237m tonnes in 1978 and the trough 158m tonnes in 1981. A really poor harvest does not cause famine but it leaves the Kremlin no choice but to import grain unless it wants to take the delicate decision to slaughter some livestock.

The wide variation in the size of crops and the failure of output to respond quickly to high investment is largely explained by climate and history.

The southern Steppes, the vast prairies where much of the Soviet cereal harvest is grown, gets on average only two-thirds of the rainfall needed to grow wheat. Drought occurs in the Ukraine one year in ten, one year in three or four along the Volga and once in every second year in the great plains of North Kazakhstan, the so-called Virgin Lands which were first ploughed up in the 1950s.

These climatic disadvantages are exacerbated by the underdevelopment of the countryside. At the time of the 1917 Revolution, the peasantry were either self-sufficient or produced only a tiny marketable surplus using wooden ploughs and the medieval methods of agriculture they had employed for 500 years.

Stalin's forced collectivisation of agriculture in 1929 was basically a decision to confiscata food from tha villages to feed the workforce in the cities. Soviet heavy industry was built at the expense of the countryside and repression was all the greater because of Stalin's exaggerated fear that the peasantry, still the majority of the population, were a potential political threat to the regime.

The origin of the state and collective farms, into which Soviet agriculture is organised, as instruments of economic confiscation and political control, combined with very low prices for produce and very limited capital investment, meant that the countryside only really began to enter tha modern world in the 1950s under Mr Khrushchev.

Poverty in the countryside is well illustrated by a study of the collective farm peasantry in the rich grain growing land of Stavropol, carried out by Mrs Raisa Gorbachev, wife of the Soviet leader, for her doctoral thesis. She discovered that in 1964, the average monthly pay for an unskilled labourer on a collective farm in this region was between 33 and 50 roubles (£33 and £50).

Since then, wages of collective farm workers have risen sharply as procurement prices have gone up. To stem migration to the cities money has been put into supplying electricity and water and building better roads to the villages. But there is still some way to go: a recent cartoon in a Soviet newspaper shows two peasants staring gloomily at a heap of fertiliser in a field. "What will the inspector say when he sees the fertiliser lying unprotected in the open?" asks one peasant. "Don't worry," says the other comfortingly, pointing to a rutted track beside the field. "What inspector could reach us over a road like that?"

Conscious of these failings, successive Soviet leaders have allocated between a quarter and a third of total Soviet capital investment to agriculture. Conditions have improved but the return on investment has never been anything like as good as the Kremlin hoped.

Large sums were spent. Farmers' incomes rose and there was heavy investment in buildings and agricultural equipment but little clarity about which of the numerous schemes to improve agricultural output would show the best return. The most important initiative was the Food Programme of 1982. Meat and milk output was to be increased by a spectacular jump of 15bn roubles in procurement prices for 1983, none of the increase being passed on to retail prices.

Mr Mikhail Gorbachev was the Communist Party official in charge of Soviet agriculture from 1978 but his real authority was limited. It is only now that the differences and similarities between his agricultural policies and those of his predecessors are becoming clear.

He has retained the food programme's emphasis on rapidly increasing the supplies of meat, milk and eggs to the population and is keeping the proportion of capital investment devoted to agriculture at one third of the total. But big new irrigation projects have been displaced by more cost effective schemes to improve existing land. Plans to divert water from the rivers of Northern Russia and Siberia southward to the Volga and the plains of Central Asia have been dropped.

More significant, however, are reforms in two other areas: to reduce the fragmentation of authority and investment, Mr Gorbachev set up the state agro-industrial committee or Gosagroprom under Mr Vsevolod Murakhovsky in 1985. It unites six agricultural ministries and other agricultural organisations. Mr Gorbachev himself keeps close personal control of the agricultural sector.

The second reform came in the form of a 7,000-word decree on agriculture published at the end of March. It introduces a number of important changes:

● A 50 per cent price bonus on the production of major commodities above the average level actually achieved in 1981-85. These rewards apply to grain, meat, milk, cotton, soya, sugar beet, tea and wool. Previously, bonuses were tied to surpassing plan targets which were too high. The government has also promised that a state or collective farm which achieves a bonus this year will not immediately find its planned production target raised next year.

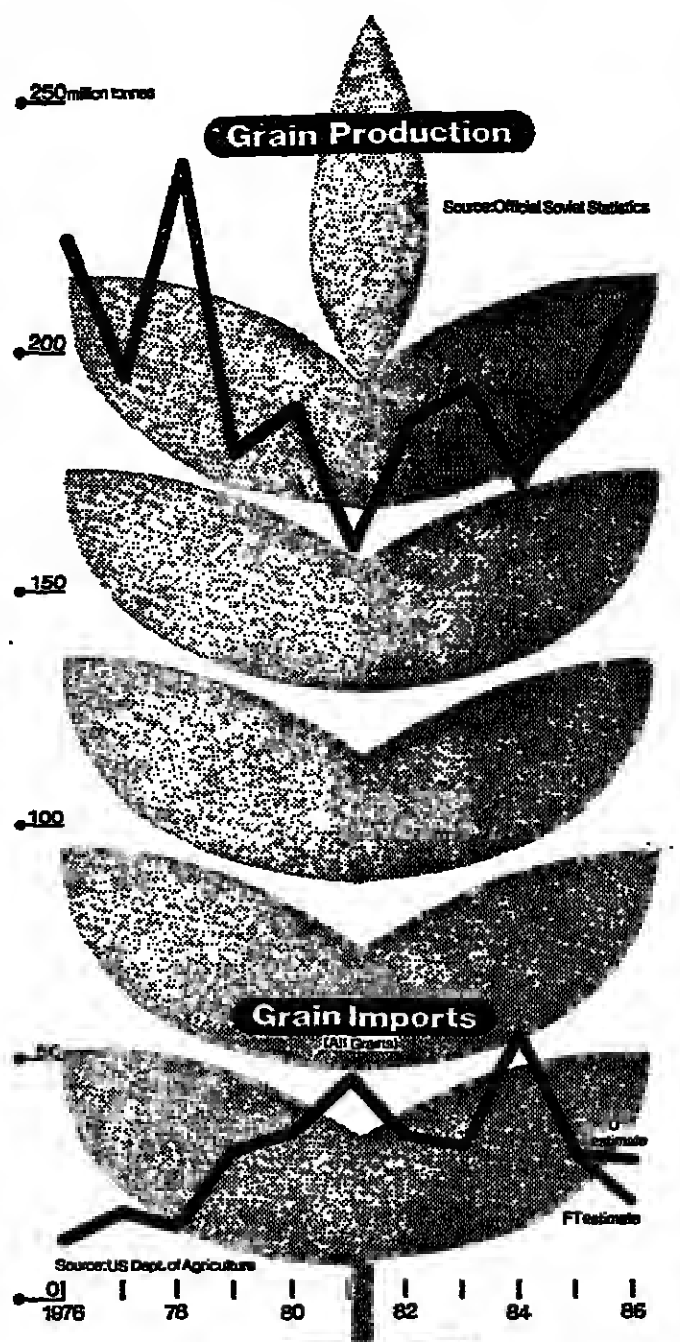
● State and collective farms will be able to sell 30 per cent of their fruit and vegetables profitably at prices above those of the state but below the free market. Previously collective farms only could do this and they had to meet the plan target before doing so. The first effect of this is already apparent in Moscow: trucks from the south have been selling water melons for one rouble. Last year the only water melons on sale cost 8 roubles in the free markets.

● Local authorities in charge of "Oblasts"—districts about half the size of an average English county—will have the power to fix prices in the local state shops. Prices will vary according to demand, an important change in a country where all prices hitherto have been determined centrally. This is in line with the tendency under Mr Gorbachev for goods to be increasingly sold through co-operative shops at prices set midway between the rock-bottom state shop prices and the extortionate prices, three or four times higher, charged in the peasant markets.

The grain harvest this year appears to have benefited from these incentives combined with better distribution of fertiliser, feedstuffs and pesticides. Even where the harvest was not very good, state procurement increased, presumably because of a greater desire by farms to send what they grow to the silos.

It is still too early to say that Mr Gorbachev has definitely managed to set the Soviet Union on the road to producing enough grain to feed its vast livestock herds. But the signs are that the country is moving closer to being able to produce the 220m tonnes it needs for self sufficiency in grain.

This still leaves soviet agriculture well behind the rest of Europe and North America, but it is the sort of boost Mr Gorbachev needs. More and better sausage in the shops of Moscow does far more for the credibility of his economic reform programme than any amount of economic statistics published in the pages of Pravda.



The Cost in Roubles

Source: Feedstuffs, 10.9.84

1 Kilogram	Average Retail Prices	Cost to State for Production & Distribution	State Deficit
MILK	0·24	0·42	0·18
BUTTER	3·38	8·28	4·90
MEAT	1·75	4·70	2·95

Men and Matters

To strut and fret an hour

Richard Luce, minister for the arts, has momentarily reduced the British arts world to silence by announcing a grant for next year which is just larga enough to prevent bankruptcies, while falling short of the Arts Council's bopes.

Bot we can be sure thet tongues will soon start wagging again about all those plum arts jobs that are falling vacant. As London still rates high as a place to make music or thaatre the interest in them is worldwide.

Tha biggest job in influence, and the prime target for critics of Britain'a artistic policies, is the chairmanship of the Arts Council.

Sir William Rees-Mogg retires next year. He was chosen as a safe man by tha Thatcher government, but bas displayed subsidy-loving tendencies.

The council would like Sir Denis Forman, chairman of tha commercial television station Granada, as his successor. But he might be too outspoken for Luce, having written some powerful articles and latters to newspapers on the future of broadcasting.

An easy alternative would be the current vice-chairman of the Arts Council, Sir Kenneth Cork, who combines excellent accountancy credentials with radical tendencies.

He is believed to be opposed to Covent Garden's generous £13m a year subsidy. He thinks affluent opera-goers should pay market prices.

On theatre matters, however, he has shown himself to be just as convinced of tha need for subsidy as Sir William.

Luce, after consulting the Prime Minister, might prefer a safe old Tory like Lord Carr, or Lord Carrington.

If Sir Denis Forman loses out on the Arts Council he has a better chance of succeeding Sir Claus Moser as chairman of Covent Garden, another job which becomes vacant next summer.

His main rival is believed to be bis fellow Garden director, Sir John Sainsbury. Tha Sainsbury fortunes bave been poured into the extension at the Netional Gallery — why should the Garden not enjoy some of the money fountain too?

In 1989 the bed-of-nails job at tha Opera House, that of director, falls vacant with the retirement of Sir John Tooley. The favoured internal candidate is Paul Findlay, the assistant director, who is believed to have Sir Claus'a vote. His main rival is the Sadler's Wells Royal Ballet supremo, Peter Wright.

No other domestic names are favoured, and the Garden is already looking to the US and to the Continent for possible candidates.

There is less speculation about the successor for Sir Peter Hall at the National Theatre in two years time. The advertisements hava been displayed, to please the Arts Council no doubt, but Richard Eyre is Sir Peter's salection. He says he has been asked to recommend his successor, and his admiring board will probably back his choice.

The only caveat there is that the board might feel the need to appoint a stronger public personality to take over from Hall, whose own career looks like flowering anew in the United States—perhaps at the Metropolitan Opera, New York.

Legal trip

London lawyers have created the first New York law office with a true European perspective.

Anyway, that is the claim made by City solicitors Clifford-Turner for their New York branch which opens today.

"Now we're allowed to be capitalists — what's the Marxist-Leninist line on insider trading?"

The new office will be headed by senior partners from three of the firm's European branches—Simon Burgess from London, Trevor Brown from Paris, and Joost Van Der Does De Willebois from Amsterdam.

Burgess and Willebois have had previous experience of establishing a new branch for Clifford-Turner. They were jointly responsible for opening the Amsterdam office in 1972.

The firm began spreading its influence around the world in 1962 when it became ona of the first London solicitors to open a Paris office. It now also has branches in Brussels, Tokyo, Singapore, Hong Kong, Riyadh and Madrid.

Official rumours

President Corazon Aquino has never lost ber sense of bumour, not even in recent tense days.

And now, having demanded the resignation of her entire cabinet to reassert her authority and thwart a coup, she is in a position to remind onlookers of the liberal attitude she showed to possible enemies plotting behind ber back.

Just a few days ago she repealed a decree passed by former President Ferdinand Marcos hanning rumour-mongering, and the epreading of false information.

Gossip in Manila'a numerous coffee shops and bars has become the food and drink of Filipinos. A good rumour, wbether it is basically true or gloriously fabricated, is an essential part of the daily diet.

After declaring martial law in 1972, Marcos attempted the impossible by outlawing this essentially harmless national pastime because, ba said, it tended to disrupt peace.

The former president was himself the constant victim of rumours. Since 1983 there were almost monthly stories that he had died—coupled with slightly indecent discussion of the state of his kidneys over the cream cakes and coffee.

In repealing the decree Aquino said that Marcos had used it as an instrument of martial law to muzzle freedom.

It is doubtful whether the coffee shop cacophany can grow any louder. But if rumours be the food of freedom in Manila, play on.

Unforgettable

In a Hertfordshire Red Cross newsletter I read about a memorial to the woman who started a local "meals on wheels" service to the elderly.

"The food is now prepared at Harpenden Day Centre—where a plague commemorates the service."

Observer

"After 20 years here my family can recommend it"

El Botanico. The most sought after residential area in Tenerife.

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THE BRITISH PRINTING INDUSTRY

A patchy recovery

By David Goodhart

IS IT TIME to herald the revival of the British printing industry? Ten years ago, it illustrated the classic symptoms of decline. Although never as ill as its first cousin the newspaper industry, general printing also suffered from low investment, adversarial industrial relations and poor management.

But two events last week seem to indicate that some colour is returning to the industry's once-pallid cheeks. The first was the climax to Norton Opax's bid for McCorquodale—the print industry's most vigorous battle since Waddington fought off Robert Maxwell in 1983 and again in 1984. It is now a sector whose high ground is worth fighting for.

The second, and less widely noticed, was the announcement by the St Ives Group, accompanying its excellent annual results, that it has just won back from the continent the contracts to print two magazines —Elle and Company.

Two contracts do not on their own signify a renaissance: particularly as Elle has only recently begun publishing in the UK and Company has returned because it has switched from the gravure method of printing widely used in continental glossy magazines to the more flexible webb offset technique which predominates in the UK.

Nevertheless, compared with the late 1970s and early 1980s, when the printing of books and magazines appeared to be flooding abroad, it is a small step in the right direction. Several other groups can boast important "repatriations:" the British Printing and Communications Corporation is bringing back mail order catalogues from Germany and McCorquodale has won back the printing of the Beatrix Potter books and several paperbacks from the US.

The Norton-McCorquodale bid also highlights a trend. It is merely the latest—and most bitter—in a long line of takeovers which have helped make the industry more efficient since the depth of recession in the early 1980s.

Soon after Robert Maxwell won control of the old British Printing Corporation in 1981 he began to implement a near 50 per cent cut in the 10,000-strong payroll. Next he acquired Odhams, failed to acquire Waddington, and after buying the Mirror Group in 1984 he added to his printing interests with Thomas Forman and United Printing Services. Easily the largest player in the industry, he remains interested in Extel which includes the fast-growing City printer Burrups.

De La Rue, the UK's major security printer, acquired Bradbury Wilkinson—its largest UK competitor—earlier this year. St Ives, which only came to the Stock Market last year with a capitalisation of £21m., has already passed the £100m mark following three acquisitions. Norton Opax and HunterPrint have also both grown fast by acquisition.

This restructuring is wiping out the middle range printing group (annual turnover £5m to £20m) and concentrating a far higher proportion of production in the top 10 companies. Many famous names in printing like Varnicoat, Richard Clay and Thomas Forman have been swallowed up.

'The big companies that have re-equipped are now world competitive for the first time'

The reason for the concentration is simple—the cost of investment. With a single press now costing anywhere between £3m and £6m it is only the larger companies that have been able to afford the investment necessary to remain domestically and internationally competitive. The fate of the once venerable Garrod and Lofthouse —which recently called in the receiver—illustrates, according to most observers, what can happen to those companies which do not invest sufficiently.

Mike Pegge, chief executive of BPCC, says his company has invested £150m over five years. McCorquodale tried to fend off the far smaller Harrogate-based Norton by emphasising that its £75m investment over the past three years was only now starting to pay. Other smaller but expanding groups have invested in similar proportions: Passmore International £6m over two years, HunterPrint £18m over four years and Waddington £10m over three years.

This reinvestment explains the unusual passion generated by the McCorquodale-Norton battle. Although the final outcome will not be decided until after today's meeting of the Takeover Panel it is clear that Norton has timed its bid well.

John Holloran, chief executive of McCorquodale, and latterly the main inspiration behind the management buy-out rival to Norton, points to the prize. "The big companies like us that have re-equipped are now world competitive for the first time."

Holloran has, understandably, not wanted Norton to reap the benefits of McCorquodale's investment programme. He also has a rather more personal investment in the growing pains of the industry.

He says: "Me and many of my top managers have been in the thick of it. You see we lived through the battles over hot metal in the 1970s with work-to-rules, people swearing at you. I have stood on factory floors and had men turn their backs on me and whistle when I tried to speak."

The print unions, he adds, rarely tried to block new technology but until recently the price they extracted was so high that investment was not cost-effective. Now redundancies can be negotiated and the amount of senior management time taken up with industrial relations has fallen from over 80 per cent to under 20 per cent.

The new managements present a sharper contrast with their predecessors than anywhere else in British industry. Mike Hunter, chairman of HunterPrint Group, and one of the new breed of entrepreneur-manager, is scathing about his inheritance: "It used to be a dingy cottage industry — many of the companies were small, family-run, concerns where the owners played golf all day. It is not surprising talented managers were not attracted."

The new leaders — men like Bob Gavron, chairman of St Ives, Richard Hanwell, chief executive of Norton Opax, and his rival John Holloran — are all well educated in tight financial controls, decentralised profit centres, 24-hour production and performance-related executive pay.

But the revival they have directed must be kept in perspective.

Some markets appear to have gone for ever—especially in gravure printing where the Germans remain the world leaders and in the long-run less time sensitive contracts where the lower labour costs of Spain or the Far East still count. Mike Pegge admits that BPCC has probably only regained 50 to 60 per cent of the work lost in the late 1970s and early 1980s.

Both the British Printing Industry Federation and the print industry Neddy agree that what revival there has been since 1984 has been patchy. Magazine printing is strong and advertising-related work has boomed, but book printing and packaging remain static.

The revival has also yet to show up in the trade figures according to the BPIF. James Wood at the BPIF supports the view that there is now no difference between UK and European printers on quality and price (except for German gravure) but adds that the key to lower imports and higher exports has been the decline of sterling.

Nigel Passmore of Passmore International—which has built export business of nearly £3m a year from nothing five years ago—concurs that sterling has been key but also emphasises the better industrial relations and higher investment.

If the industry's revival has actually been slower than most insiders expected, that cannot detract from the permanent gains established.

Mike Hunter thinks the UK is now as good as anyone in the world at web-offset even if it still lags in gravure.

Deborah Montgomery, production director at publishers Conde Nast, goes further and claims that UK web-offset is now the best in the world. She adds: "There is also far more choice here now. When we moved the printing of Vogue and Brides away from BPCC we had a choice of seven quality printers, a few years ago we would probably have had no choice at all."

Top Ten UK Printing Companies

Company	Market Capitalisation* £m
BPCC	900
De La Rue	450
Extel	195
McCorquodale	153
Waddington	125
St Ives	105
Domino Printing Sciences	40
Norton Opax	40
Watmoughs	33
Hunterprint	27

* Approximate values 21/11/86.

Lombard

Time to examine 'overheating'

By Samuel Brittan

THE TREASURY forecasts a brisk growth of output of 3 per cent next year, slightly above the underlying trend; an inflation rate rising to only 3¾ per cent by the end of 1987 (although it is coy about the bulge in the early part of 1987 when inflation could touch 5 per cent) and a modest payments deficit of £1½bn.

The independent forecasters, whose predictions the Treasury chooses to average, are as usual more pessimistic on all fronts, although not by enormous amounts. My own guess, likely to be no worse than any other, is that activity, exports and output (if we could only measure the latter) will rise faster than the Treasury expects, but that so will imports, the payments deficit, inflation and public sector borrowing. Only sterling is likely to be lower than the Treasury's no-change indication.

Does this pattern mean that the economy will overheat; that is, that demand will grow faster than the supply potential of the economy can meet and that a sharp application of the brakes will be needed?

The problem with the question is that "overheating" is a dubious concept. I realised this when, at the last moment, I changed the title of the Economic Viewpoint of October 30 (which Dr David Owen quoted in the Queen's Speech Debate) from "Overheating with 3m Unemployed" to "Thatcher's Gamble with Inflation."

Before we can say that the economy is overheating, we need to know what is the underlying growth of capacity output, and how fast any slack can be taken up without producing inflationary pressures. Mr Giles Keating of CSFB believes there has been an underlying boost to productive potential and productivity in the last three years; and that this, together with the more competitive exchange rate, will enable the Treasury's payments and inflation forecasts to be met. The London Business School takes a similar line, in contrast to, say, the gilts market. But hoping that they are right is not enough.

Nor does the balance of payments decide the issue. There is no law of the Medes and Persians which decrees that every country should always have a balance or be in surplus. In the oil bonanza years of 1979-85, a cumulative first payments surplus of £21bn was accumulated. But this tells us little about the interest rate and exchange rate at which overseas investors will finance deficits in the future.

It is to avoid these unanswerable questions that so many countries have moved over to a medium term strategy expressed in nominal terms. In its purest form this implies an objective for the growth of spending in cash terms. A lid is thereby imposed on inflation and policy is not dependent on a dubious view of physical possibilities.

The underlying principle is the same if the objective is expressed more indirectly in a (credible) money supply or exchange rate target. If this can be observed, there will be an automatic control mechanism to prevent overheating. Instead of fruitlessly debating whether to be bold and try to stimulate investment by putting pressure on capacity or play safe, industry is left to take as much strain as arises without putting pressure on the exchange rate and thus inflation.

"Overheating" is a relic of unreconstructed Keynesianism when governments tried to achieve target levels for physical variables such as output and employment by demand management. Such policies require good estimates of the sustainable growth rate, the optimum margin of slack and much else; and that is why they collapsed.

None of the above is intended to let the Government off the hook. For the policy regime which would enable us to dodge the overheating question does not exist. After the collapse of monetary targets, the one possible framework relates to the exchange rate; and this has been gravely impaired by the Prime Minister not merely refusing to consider entering the EMS, but appearing to weaken gravely the Chancellor's mild attempt to put a floor under sterling.

Meanwhile, the outside observer should try to keep a few steps ahead in the game and focus on what will happen to sterling and inflation. Overheating is useful, if at all, only as an intermediate stage in answering these questions.

Letters to the Editor

Neglected indicator

From Professor T. Wilson

Sir,—It is not surprising that the rise of almost one-fifth in £M3 over the past year should have caused some concern. Monetary policy must continue to be an instrument of control, though it should be only one of several, and the behaviour of all the monetary aggregates must therefore be watched. This includes £M3, although it has not lived up to the exaggerated expectations of some years ago. What is puzzling, however, is that nominal expenditure—which monetary policy is, after all, meant to control—is so rarely monitored.

Admittedly some professional economists, notably Professor James Meade, have stressed its importance and so, in these pages, has Mr Samuel Brittan. The Chancellor himself has occasionally taken up the theme. The fact remains that, of all the principal indicators, this is the most neglected. Indeed the statistics are not even published in Current Economic Trends and are omitted from nearly all the non-official compilations.

Total nominal expenditure has, of course, been rising far less rapidly than £M3. By the second quarter of this year it was up by about 5½ per cent on a year before and this is the official estimates for the year as a whole, as given—without emphasis—in the recent Treasury statement.

It has been one of the tenets of the monetarist school that, apart from minor short-lived deviations, there is a fairly steady relationship between expenditure and the money supply. Their Keynesian critics used to challenge this view and held that the more active use of money—a rise in its velocity of circulation—would defeat even a successful control of its total amount. Both have proved to be wrong. There has been a large and well-sustained change in velocity, but it has fallen, not risen, thus helping to offset the failure of the authorities to achieve their monetary targets. It is, of course, widely recognised that institutional changes have led to larger holdings of £M3. This is now commonplace. What is still rare is a presentation of the quantitative effect. By the second quarter of this year, velocity had dropped by almost 27 per cent as compared with the second quarter of 1979. The decline was almost continuous.

Is it simply the case that the time-lag before expenditure adjusts to changes in the money supply is far longer than was once anticipated? Or do the institutional changes warrant the belief that velocity will remain indefinitely at a lower level? In assessing possible developments, to what extent can the big rise in personal indebtedness be set against the rise in the holding of broad money? Obviously these questions are both important and hard to answer, but this does not justify the assumption that the recent rise in £M3, large though it has been, is bound, by itself, to cause a new upsurge in inflation.

(Professor) Thomas Wilson.
1, Chatford House,
The Promenade,
Clifton, Bristol.

Legalise insider dealing

From Mr J. de Bruyne

Sir,—Why not legalise insider dealing? A share price should discount all the available facts. By preventing people acting immediately on new information (insider dealing) the share price is artificially stabilised, sometimes for months. When the share price eventually moves it may do so drastically hurting the less well informed shareholders.

Directors' share dealings at any time without legal constraint would be an invaluable indicator of future share price movements and the insider dealing information could be all over the City in seconds with today's technology. A weekly summary of insider dealing by institutions and individuals could be published.

Institutions would be regulated by the market-place since no one would use the ones that were known to exploit the confidential information arising from customers bringing a deal to them.

John A. de Bruyne,
10, Chaucer Road, Cambridge.

Pension scheme surpluses

From Mr R. Greenfield

Sir,—Mr Hedderwick's letter (November 11) querying the Lex column's accuracy in regard to the disposal of surpluses is, unhappily, correct. I say "unhappily" because it is an outrage that the position Lex outlined is not the reality.

Any talk about surplus disposal is totally immoral if it ignores the fact that a majority of pension schemes have never maintained the purchasing power of their members' pension entitlements.

As a researcher in the pension field I have come across a great number of anomalies and differences in the way pension increases are calculated and applied. Is it not time that researchers got together and examined every pension scheme in the country, and made their conclusions public?

It may not be a reasonable proposition to ask employers to give an open-ended commitment to index-linking, but it is not unreasonable to ask for such a commitment where and when the company is making inflation-proof profits, and more.

Another outrage is the asset-stripping of pension funds as the result of take-overs. As a small shareholder in Hansons I would express my total disgust at an attempt to hi-jack another company's pension funds, and would want no part in it.

There have been other immoral and undesirable methods of diluting pensions. At least three of the major banks reduced, by 25 per cent, the base on which pension increases were traditionally calculated.

R. H. Greenfield.
83 Huntsman's Walk,
Foxwood Hill, York.

Getting bills paid

From Mr P. Martin

Sir, — I would like to comment upon the article "Small businesses call for action on slow payers" of November 19.

I have spent over 20 years in the treasury management team of a very large multinational company and come into daily contact with small businesses, as they represent a very large part of my company's customer base. With few exceptions, these small businesses all suffer from delayed payments, for all types of customers, because insufficient importance is placed on the management of the receivable asset. In my experience the owners of small businesses do not seem to realise that the most effective time to ensure an acceptable turnaround of sales income is at the point when the sales contract is being negotiated.

I suggest that if more attention was paid to assessing prospective customers' ability to pay on time and that credit levels and terms were fixed accordingly, and follow-up contact maintained, then the problems of delayed payment would diminish.

As far as large corporate buyers are concerned, most have a well-established procedural system of paying supplies of any size, and suppliers would be well advised to take the trouble of finding out what this system is and to ensure that they conform to it.

Any professionally qualified credit manager would be able to reduce the 75 days sales outstanding quoted in the article to under 60 days.

P. J. Martin.
18, Ravens Close, Knaphill,
Woking, Surrey.

Liability for products

From Mr C. Siegl

Sir,—The intention of US product liability laws and the direction of your arguments (November 18) lead to a simple mathematical conclusion: "Imperfect people who are legally required to produce perfect products will either go bankrupt or pay infinitely high premia to insure against imperfection."

Consumer legislators, generally politicians, have been striving for some time, it seems, to achieve the absolute. In particular when applied to health and pharmaceuticals their tendency has been to provide for guarantees of immortality.

The "state of the art" clause, surely, is the only balanced way of approaching the problem, where seller liability and attendant insurance is against negligence as measured by "the state of the art." The consumer in this case is left with his rightful choice of accepting a degree of risk.

C. F. J. Siegel,
The Skep,
Portsmouth Road,
Rake, Hants.

US protectionist pressures

From Professor H. Singer.

Sir,—In "Now for the hard part" (November 11) Michael Prowse expresses surprise that US protectionist and political pressures to reduce exports to the US and increase imports should be so strongly concentrated on Japan and Germany, when these two countries account for only one quarter of all US imports. His own table, however, should provide the answer to this puzzle. His figures show clearly that Japan and Germany are the two countries which account for a much higher share in US imports than in US exports. Since the US problem is to improve its trade balance which is the difference between imports and exports it is quite natural that they should concentrate on these two countries.

Other reasons could also be adduced but the one given here emerges from Mr Prowse's own statistical framework.

(Professor) H. W. Singer
University of Sussex,
Brighton, Sussex.

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FINANCIAL TIMES

Monday November 24 1986

Bostwick Industrial Doors

Roderick Oram looks at a Wall Street parody of its woes

Boesky steals the limelight

THE place: Cayman Islands' Safe Haven Clinic for the Fiscally Disturbed (as recreated on a hotel ballroom stage, Manhattan.)

The time: B-Day plus seven.

The story so far: Yuppie Levine's been nabbed for insider trading. He shops Boesky, king of the arbitrageurs, envious Ivan's been doing it bigger and better. Media gives blanket coverage of Wall Street's excesses – proven, alleged and rumoured. Triple alliance of corporate raiders, arbitrageurs and junk bond dealers dragged through the mud. Wall Street clams up, throws the money-spinning script out of the window. Market does the Boesky bounce – down 56 points, up 76.

The characters: Patients of the Safe Haven Clinic, all of whom are stars of Wall Street (as impersonated by members of the New York Financial Writers' Association in their annual musical revue, "Financial Follies.")

In the audience, Paul Volcker, chairman of the Federal Reserve, sits at the same table as James Balog, vice-chairman of Drexel Burnham Lambert, junk bonders supreme. At 100 other tables 1,000 journalists, public relations people and denizens of Wall Street wine and dine.

Table Talk: Three topics – Boesky, Boesky and Boesky.

The big question: Can Wall Street still laugh at itself?

The Show: A telegram is read out from "Boesky". He is sorry that he "is not at liberty to attend" but offers his warmest regards: "To the actors, break a leg – to people who wrote about me, break two legs."

The skits flow one after another for more than an hour with characters from the Boesky scandal cropping up intermittently. To the lilting tune "Begin the Beguine" prosecutor Rudolph Giuliani sings soothingly to Levine "Oh yes give us the names of your friends, make them pay or the years that you spend in jail will surely age you, if you whisper to me those names, we probably won't cage you."

Drexel's junk bond guru Mike Milken turns up as a flashy bookmaker describing his modus operandi, singing "it's a simple little system keeps our network all in hand ... when one of us has trouble someone else must bail him out. Just remember Drexel members, certain words are now defunct and the one you must never, ever say to me is junk."

The motivation of Yuppies like Levine is explained in new words to the tune "Grease" sung by Jerry Rubin, who himself had made the *ultimate trip* from *anti-establishment* radical Yippie to pinstriped Yuppie. "Idealistic views may be OK but they will never pay quite like an inside trade. Greed is the word."

Moral counterpoint is provided by John Phelan, chairman of the New York Stock Exchange. In stiff, *morning-coat rectitude, he issues* dire warnings about the consequences of "illicit intercourse" between Wall Streeters.

Ivan "The Terrible" Boesky bounces on stage, clad like a cossack, tape recorder in hand, to deliver the little piggies went to market nursery rhyme, building up with feeling to the little piggy who squealed all the way home.

Light relief from the scandal ridden week comes in skits about equally notable, if less notorious, headline grabbers. The Saatchi brothers appear in the guise of Laurel and Hardy. Charles complains plaintively: "This is a fine mess you've got us into, *Maurice*." To the tune "One brick at a time" from the musical Barnum about the greatest showman of all time who believed there was a sucker born every minute, they sing about building their advertising empire "one hype at a time."

Donald Burr, founder of People Express Airline, *has new words* to Barbra Striesand's song "People." "People who fly People are the gutsiest – stingiest – craziest – people in the air."

The reaction: Wall Streeters and media friends have a rollicking good time continuing into the small hours in a dozen hospitality suites around the hotel.

The price: Financial writers accept with good grace the barbed advertisements placed in the programme by the companies and institutions they write about daily and lampoon once a year.

Gulf and Western's message is: "Welcome to the asylum. Tonight you will join the mentally bankrupt and fiscally disturbed in a safe haven from the unbalanced financial press."

Drexel Lambert declares: "This show was in no way made possible by an underwriting from Drexel Burnham."

The New York Stock Exchange quips: "What do you get when you merge a financial writer with a comedian? A financial writer."

Chris Sherwell in Sydney witnesses a trial of strength over a British spy

Cracks in UK wall of secrecy

WHEN court hearings on Britain's bid to suppress the memoirs of a former spy enter their second week in Sydney today, attention will focus once again on the testimony of Sir Robert Armstrong, the UK Cabinet Secretary, who has already spent a tough four days in the witness box.

Before that happens, however, another critical deadline is due to pass. The UK Government must finally choose whether to comply with a long-standing order to produce highly sensitive documents relevant to the case.

The order comes from Mr Justice Powell of the New South Wales supreme court, from whom the British Government is seeking a permanent injunction to prevent Heinemann Australia publishing the memoirs of Mr Peter Wright. Mr Wright retired from Britain's MI5 security and counter-espionage service in 1976 and now lives in Tasmania.

Last week London received much-needed support for its case from the Australian Government, which agreed with the main UK contention that disallowing publication would prevent MI5 insiders revealing their experiences and preserve the important principle of confidentiality.

At the same time, however, London's primary witness, Sir Robert Armstrong, was subjected to gruelling and occasionally embarrassing *questioning. At one point he* refused even to admit the existence of MI6, MI5's sister agency. He also found it so difficult to answer some questions that part of the court session had to be held in camera.

Mr Justice Powell, irritated more than once in the 14 months these legal proceedings have dragged on, said openly that he was troubled by the inability of the plaintiff's main witness to assist deliberations.

Many people now wonder whether a British failure to respond sufficiently to Mr Justice Powell's order to produce documents could ultimately risk dismissal of its case. He has issued the order three times, the most recent last week.

The documents are important because they relate in part to a House of Commons statement in 1981 by Mrs Margaret Thatcher, the British Prime Minister, concerning the late Sir Roger Hollis, director-general of MI5 from 1956 to 1965.

Mr Wright is understood to have alleged in his memoirs that Sir Roger was a double agent working for the Soviet Union. This allegation has circulated before, notably in books by Mr Chapman Pincher and the pseudonymous Mr Nigel West, but has never been sourced so directly to an MI5 agent.

Mrs Thatcher, in her 1981 statement, confirmed that Sir Roger had been investigated but said no proof had been obtained to show he was a traitor. If her briefing documents were to be revealed as suggesting otherwise, the implications would be explosive.

That is why the proceedings now under way in Sydney are arousing political passions in Britain. But the case has stimulated negative reactions for other reasons, among them the British Government's own conduct of the case.

Britain's legal action goes back to September 1985, when the Government secured a temporary injunction against publication of Mr Wright's memoirs. In the 14 months since then, the Government has drastically narrowed its grounds of complaint.

Specifically, it has retreated from the question of whether publication of Mr Wright's memoirs might be prejudicial to national security, and focused its arguments on the assertion that Mr Wright, as a former secret service member, was not authorised or permitted to disclose any information about the agency.

By the time the full hearings opened last Monday, the stage seemed set for some fireworks because the UK Government not only sought an adjournment but also made an appeal against the judge's earlier order to produce documents.

In the key decisions of the week, the New South Wales court of appeal turned down both UK requests. Mr Justice Powell promptly gave the Government until today to produce the relevant documents sought by the defence.

Whether this hastens matters is uncertain. The Government has since reframed its pleadings which it might yet resubmit, and anyway retains the option to appeal further, to the high court in Canberra.

The Government is likely to plead "public interest immunity" to avoid producing the documents, and it could be expected to appeal against the judge's decision if he does not accept this view. All this plainly foreshadows further possible delays.

As for the remainder of last week's legal proceedings, most efforts were spent trying to establish the British Government's precise attitude towards two published works on MI5, Their Trade is Treachery by Chapman Pincher, and A Matter of Trust by Nigel West, whose real name is Mr Rupert Allason.

It was Mr Pincher's book, published in 1981, which first suggested that Sir Roger Hollis, director general of MI5 from 1956 to 1965, might have been a double agent. The allegation also appeared in Mr West's book.

Last week's proceedings revealed that the British Government *did* not try to stop publication of Mr Pincher's book. This was apparently because Mr Pincher was not a public servant. His sources were not known for sure, and the grounds for an injunction were insufficient.

Yet Sir Robert acknowledged that its revelations were a "bombshell" and damaging to MI5. He also indicated that three agents who were thought to be possible suppliers of information had not been interrogated, and hinted that they *should* have been questioned.

Sir Robert denied a "conspiracy theory", that the Government had deliberately allowed the book to be published, but was pressed later about key public figures Mr Pincher knew and how his book came to be published. It was at this point that the court was cleared.

As for Mr West's book, Sir Robert indicated that the Government had taken out an injunction against publication because one of the sources for it was known. The action evidently did not proceed after deletions were agreed with the author and publisher, but Sir Robert said he knew little about this because he was not party to the agreement.

By the end of the week these arguments had Mr Justice Powell once again expressing puzzlement, notably over the publication of the Pincher book. Why, he asked, had the British Government not used its powers and sent someone to impound every copy of a book which suggested that Sir Roger Hollis was a double agent?

It was, he intimated, "no great *step" to suggest that the Government authorised the book to be published* if it knew the book was coming out and did nothing about it.

Kinnock turns the screw, Page 8

THE LEX COLUMN

A bull with three legs

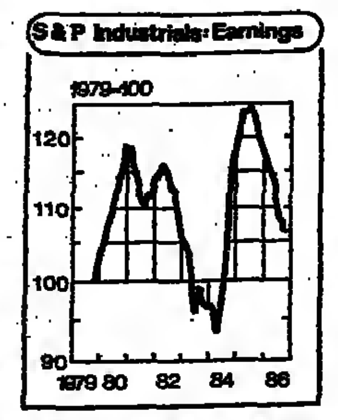
Optimists on Wall Street are talking of a cleansing process that can damp down the scandals billowing outwards from Messrs Boesky and Levine. Once through this time of purgation, the market may find a sounder footing from which to resume the great bull surge that started in the summer of 1982. Only a few voices are predicting that this bout of decadence has marked, if not caused, the end of the run. The merging and churning which supported the rise of the market in the past two years will clearly be less help to equities in future; for Wall Street to carry on upwards, other forces must be found.

The bull market was first triggered by the usual mix of favourable fundamentals – falling interest rates, falling inflation, a rising currency which sucked in foreign buyers, and expectations of earnings growth – in sum the upswing of a business cycle. Not only were earnings rising but the quality of those earnings was improving as inflation fell. All well and good, until the economy stammered. The market was driven by quite different considerations during the rush which took the Dow Jones industrial average even faster through each 100 point marker last spring.

Speculative

The propellants then were the falling oil price, the volume of takeover activity and, perhaps as important, speculation about bids which never materialised. If anything, that has been more frenetic recently as investment bankers rush to launch bids in time to complete before the new tax regime – which should dampen merger mania – is imposed at the beginning of 1987. The Dow Jones industrial average, which contained some real takeover *stocks and many rumoured victims,* has been outperforming the wider Standard & Poor's indices in this latest run. At the same time the volume of stock available to investors has been falling for three years, through a mixture of leveraged takeovers and leveraged stock buyins. If the speculative element could be excluded, the market indices would probably show a decline since the summer.

Underneath the froth, economic growth has been sluggish, interest rate decreases have stuttered, the currency has slumped and inflation has been so low it could hardly fall



further. The two great deficits – trade and budget – have defied control. Corporate earnings have fallen. The stocks which led the market higher were no longer the solid favourites like IBM and General Motors, which were responding to economic realities.

All this might be taken as evidence that the bull market is over. Mr John Mendelson, the Dean Witter Reynolds market strategist who has taken on the Jeremiah role and contributed to the market's sudden fall in July, contends that all his technical indicators are now negative. The poor quality of the recent rallies, a lack of real investor activity, the failure of the bond market to break into new highs, are just some of the witnesses he calls.

Even those who have little faith in technical analysis must see some plausible reasons for market weakness over the winter months. A temporary halt may be called to takeover bids. It is, for one thing, proving harder to find finance for bids – as Wickes is discovering in its attempt to bid for Lear Siegler. The tax change should also encourage investors to take their capital gains before the year end before the tax rate goes up to equal income tax.

Support

What may come to the aid of the bull market is the return of some good old fundamentals. Now that the economy seems to be picking up again, and the trade deficit appears to be beginning to respond to the dollar's decline at last, corporate earnings should turn upwards. If 1986 profits have been held back by restructuring costs that just provides a lower base for 1987 profits to be judged against.

The quality of earnings may not be improved enough to justify a re-rating of the market, but the same multiple on higher earnings means a rising market. If, even after the tax changes, which were planned to add to the total corporate tax bill if not to every companies' liability, earnings grow by *10 to 15 per cent,* the 1987 p/e on the S&P 500 index is not much over 14. That does not seem excessive so long as other factors remain in the market's favour.

Takeovers are unlikely to disappear altogether, since most were not motivated but simply facilitated by the old tax system. So the removal of stock from the market will continue. Meanwhile, foreign inflows to the US equity market have been running at far higher levels of late, and if the dollar now stabilises, even more could be redirected to Wall Street from other equity markets.

Assumptions

If at the same time inflation stays low and interest rates can manage another small decrease early next year, the survival of the bull market looks assured. Inflation, though gently rising, should *not* be a worry while capacity utilisation is still under 80 per cent, wage rises are limited to 2 or 3 per cent, and the oil price holds steady. Similarly, interest rates ought *not* to rise when the Federal Reserve is supplying ample liquidity to the market, when borrowing is becoming less attractive as the tax allowances for interest payments are taken away, and so long as the politicians can come to terms on the budget deficit.

Here lies the main weakness of the bull case. *If*, for example, the dollar were to continue its slide and oil prices recovered, inflation would gather pace again. Or if the recent lack of interest in Treasury bond displayed by Japanese investors became more profound, the problem of financing the budget deficit at current, let alone lower, interest rates would worsen. A weak bond market is not compatible for long with a strong equity market.

Markets never seem to be quite such efficient discounters of events as they should be. Equity markets generally peak only shortly before economic cycles do. So while myopia prevents investors from seeing through growth to the start of recession, there is still hope for Wall Street.

Electrolux sets up UK plant

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR, IN LONDON

ELECTROLUX OF Sweden, the world's largest domestic appliance maker, has set up its European base for microwave oven manufacture north of London in Luton, Bedfordshire.

The factory, kept strictly under wraps during installation and worker training, will be opened officially today by Mr John Butcher, junior Industry Minister.

Designed to make 250,000 ovens a year by the end of 1988, the £3m *($4.2m) plant is a vital springboard* for entry to the rapidly growing markets of the EEC and Scandinavia.

More than half of its output will be exported, Mr Anders Scharp, group president and chief executive, said in an interview.

"The UK market has matured *now, and I think is it going to stagnate,"* he added.

Recent rapid growth in Britain is widely forecast to slow, even though sales are still expected to reach *1.8m* units this year compared with 1.2m in the remainder of Europe.

Mr Scharp said, however, that European markets were growing at up to 30 per cent a year.

The decision to base virtually all European production in one place was part of the group's global strategy to locate different appliance groups in different centres of excellence.

Britain had been chosen for microwaves because there was a good existing market. It also had the necessary industrial know-how, and a strong infrastructure of components suppliers, Mr Scharp said. The ovens will contain about 70 per cent UK parts.

As part of the same strategy, Luton had become the group's main source of vacuum cleaners for Europe, while most dishwashers and washing machines were imported from the continent.

Britain has a thriving microwave industry thanks mainly to Japanese companies and some British groups which were quick to spot the potential for the convenience offered by microwave ovens.

Electrolux has so far supplied Britain and other markets from its Tappan subsidiary factory in the US and a Zanussi works in Peterlee, County Durham.

However, Mr Scharp seemed unconcerned at Electrolux's relatively late arrival and the established Japanese presence.

"The Japanese are well established here, but we will be competing on equal terms," he said. The Japanese would also suffer from the strength of the yen and faced the possibility of a microwave anti-dumping suit being pursued at the European Commission in Brussels.

Mr Scharp said that the suit, initiated by the French, had won support from all European manufacturers.

Fermenta share sale dropped

By Kevin Done, Nordic Correspondent, in Stockholm

MR REFAAT EL-SAYED, the controversial main shareholder and chief executive of Fermenta, the troubled Swedish antibiotics and animal health concern, has cancelled his planned sale of more than 3m Fermenta B shares to the public.

The share offer has fallen victim to the uncertainty over the future ownership of Fermenta, which *depends on Mr El-Sayed's search for a* solution to his pressing debt problems.

Mr El-Sayed, who was in the US last week, said last night that he had "another better solution" which he would present within a few days.

His personal debts amount to more than SKr 1.4bn ($202m) and the first repayment of about SKr 540m is due before the end of 1986.

Confusion about the future ownership of Fermenta has arisen out of earlier deals, including the sale of a majority stake to Montedison, the Italian chemicals company, and the sale of a substantial minority stake to Procordia, the Swedish state holding company. Both deals collapsed amid bitter recriminations in recent weeks.

The sale of more than 3m *B* shares to existing Fermenta shareholders was planned to raise about SKr 300m. Mr El-Sayed has been forced to cancel this move following a steep fall in the share price and doubts about potential support for the offer.

Last week it became clear that Swedish financial markets had grave doubts about the offer. Svenska Handelsbanken, the Swedish bank that has often worked with Mr El-Sayed, decided *that* uncertainty about Fermenta's current ownership was too great to allow it to support the offer prospectus.

Last night *Mr El-Sayed said that* he had cancelled the share offer because of fears that it would further depress the Fermenta share price

Loss deepens at Rover truck unit

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

LEYLAND VEHICLES, the truck and bus subsidiary of Britain's state owned Rover Group motor manufacturer, plunged to a net loss of £102.7m ($144m) in 1985, compared with a £80m deficit the year before.

This pushed Leyland's accumulated deficit to £605m at the end of 1985, when the company's liabilities outstripped its assets by £129m.

The true extent of Leyland's losses, not shown in the Rover Group annual report, are now revealed in the accounts for 1985 which have now been filed almost as late as legally possible.

The accounts also show that £75,000 was paid in compensation for loss of office to a former director, almost certainly Mr Ken Maciver, who resigned as managing director of Leyland Bus in February last year.

Leyland Vehicles' turnover in 1985 rose 7 per cent from £430m to £460m. In the total were exports of £138m, including sales to other Rover Group companies, up from £127m in 1984.

The operating loss – the only indication of the company's position given in the Rover Group accounts – was reduced by 15 per cent from £60m in 1984 to £51m.

After interest payments of £40m against £30m in 1984, the loss before tax reached £92m compared with £91m. No tax was paid last year but in 1984 there was a £38m tax credit so Leyland's loss after tax increased 76 per cent, from £52m to £92m last year.

Extraordinary losses, relating to the reorganisation of Leyland Bus, increased from £7.3m to £10m.

In their report the Leyland Vehicles' directors state that "despite measures previously taken to reduce costs at Leyland Bus, operating losses showed a significant worsening in 1985 and further *redundancies (costing £1.1m)* were announced in November. A new management team was appointed during the year. It has concluded that more streamlining is necessary and provision has been made for further restructuring."

The report recalls that negotiations reached an advanced stage with General Motors, the US group which owns Bedford in the UK, for the sale of Leyland Trucks and Land Rover but these subsequently broke down. However, "in pursuance of its privatisation objectives, BL (now renamed Rover Group) will continue to consider other opportunities for the sale of its businesses."

Like most Rover Group companies, Leyland Vehicles is financed mainly by an interest-free loan from the parent, which stood at £373m at the end of 1985.

Capital expenditure last year totalled £28m against £21m in 1984, and the number of employees fell from 12,458 to 12,244.

There are indications that Leyland Vehicles' situation has not improved this year.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK optimism supported

Continued from Page 1

sponse to a continuing fall in the pound's value.

The trends survey shows that manufacturers' order books are at their best level for eight months. One company in four expects to increase output during the next four months and another 63 per cent expect to maintain output at existing levels.

The CBI survey predicts that the economy will grow 2.7 per cent in 1987 compared with 2.1 per cent this year, while the volume of manufacturing output will rise 3.1 per cent in 1987 against this year's flat performance.

Manufacturing industry, however, will continue to shed workers at a rate of 3,000 a month next year, the CBI forecasts partly offsetting fairly strong growth in employment in other sectors of the economy.

In its review the London Business School says that the Government's autumn statement on the economy suggests a stronger tax base than had been expected, which will probably allow for both the increase in public spending and tax cuts.

The Treasury has not published its internal forecasts for revenues next year, but Whitehall officials say they confirm the widely held view that Mr Nigel Lawson, the Chancellor of the Exchequer, intends to make sizeable tax cuts in the run-up to the next general election.

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THE COUNTY OF Clwyd WALES

Hillier Parker
THE BUY WORD FOR SHOPS

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday November 24 1986

RTS GROUP
SERVING SHIPS, PORTS, INDUSTRY
TRACTOR–TRAILER SYSTEMS · RO-RO FLATS · CONTAINERS

INTERNATIONAL BONDS

Managers more confident than market suggests

BY HAIG SIMONIAN IN LONDON

THE RETURN of confidence among Eurobond lead managers last week saw many claiming that they had carved new reference points with their new issues.

Those "benchmarks" may have been less obvious to the market as a whole than to lead managers themselves. But hyperbole might be forgiven in a week when straight US dollar-denominated issues staged a considerable rally, and even tattered floating rate notes (FRNs) made a more selective comeback, with paper up by as much as 20 basis points.

Retail interest in Eurodollar bonds has certainly improved, and the upturn in US Treasury Bonds lifted Eurodollar issues. But the performance of last week's new issues showed that demand is still in pockets – and they are not very deep. The market remains largely professional, and there is still a great deal of paper washing around.

Attractively priced issues for well-known names with impressive management groups, which investors can trust to guarantee liquidity, did extremely well. Deutsche Bank scored with its very popular deal for Mercedes Credit, launched at a 45 basis point spread net of fees over equivalent maturity US Treasury Bonds. By Friday afternoon, that had closed to 25 basis points.

Buyers also lapped up the European Investment Bank's $100m issue, led by Banque Paribas, priced to yield 65 basis points over US Treasury Bonds of like maturity. Those wary of predominently Japanese management groups even put their doubts aside for Thursday's $150m issue for IBM Japan, led by Daiwa Europe.

Meanwhile, investors were sufficiently keen to hedge their bets about future interest rates for Thursday's straight bond for Thomson Brandt International, led by Morgan Stanley International, to be doubled in size to $200m the following day. The 7¼ per cent paper is convertible every three months during its first two years into an FRN of like maturity paying 1/16 over three-month Libor.

There was also a good crop of FRNs last week, with lead managers trying to issue into a rally. Midland Bank tested the perpetual market with its $300m floater. A larger issue might have been more attractive to the borrower but caution prevailed.

However, it was more complicated floating rate paper which had most dealers reaching for the calculators. Merrill Lynch started the ball rolling on Tuesday with its $250m issue for Franklin Savings Association. This was the first FRN by a US Savings and Loan institution to be collateralised 120 per cent by triple A rated mortgage obligations of US government agencies.

On Friday, Goldman Sachs brought out an innovative $500m floater for Prudential Insurance of America. Quickly increased from its original $300m, the paper pays 45 basis points over one-month Libor, with an interest rate cap of 11½ per cent.

The issue was likened to that for Franklin Savings, as both were based on collateralised mortgage obligations. However, their structures differ considerably. Though the principal in Prudential's issue will be amortised over time, investors will receive pre-notification on a regular basis of what proportion will be outstanding. As a result, they will know how large an exposure they will have to match.

The concept is familiar in the US, but European investors have tended to steer clear of amortising issues on account of the uncertainty over principal amounts outstanding. The success of the Prudential deal suggests the notion is becoming less hostile, and other borrowers could soon follow.

Non-dollar denominated issues were also busy. Yen primary issues failed to make their forecast comeback. Even the Kingdom of Sweden, the week's only Euroyen borrower, found the going harder than might have been expected for a name of its quality. However, Italy is said to be waiting in the sidelines with a view to a large Euroyen issue within the next fortnight.

The Ecu sector has not fully reopened either, despite talk to the contrary. Friday's Ecu 150m deal for the World Bank, led by Banque Paribas, will be fully placed in the end but it received a stickier reception than some dealers expected.

High coupon paper in Australian, New Zealand and Canadian dollars was much in evidence throughout the week. Continental European retail buyers have shown renewed interest but opinion differs among dealers as to whether there has been enough demand to justify the relatively high level of new issues that were made.

The return of retail investors brought new life to the D-Mark market. Prices at the longer end were up between 1½ und 2 points, with shorter maturities going up to one point higher.

Eurobond futures launch looks likely

THE CHANCES that a Eurobond futures contract will be launched next year appear to be improving, write Alexander Nicoll and Haig Simonian in London.

Many Eurobond market professionals are keen on the idea because they hope it would provide them with a better hedge than US Treasury bonds or T-bond futures which they use. The spread between US and Euro rates can fluctuate markedly and ruin the best-laid hedges.

Leading Eurobond houses have therefore been helping the London International Financial Futures Exchange (Liffe) and the Chicago Board of Trade (CBOT) in their plan to launch a contract which would trade interchangeably on both exchanges.

Liffe has been experimenting with 15 houses volunteering prices. The result is an index of 25 to 30 actively traded dollar fixed-rate Eurobonds, now being tested and with constituents replaced frequently since the focus of trading changes rapidly. The index is likely to be unveiled early next year, and to be allowed to build up some history before the exchanges plunge in with a futures contract.

Whether the index wins respect will clearly depend on the extent to which the Eurobond houses find that it can track the performance of their own holdings.

The CBOT brings to the table its experience with a municipal bond index which, it argues, tracks a market with similar characteristics to the Eurobond market – with great diversity of credit quality of issuers, varying maturities and wrinkles in issue terms.

Whereas that index is made up by prices from the interdealer broker system, the creators of the Eurobond index face a crucial problem: how to collect up-to-date prices of indisputable integrity.

EURONOTES AND CREDITS

Algeria returns after swallowing its pride over borrowing costs

BY ALEXANDER NICOLL IN LONDON

THE TERMS of a $200m credit newly mandated by Algeria show that the country has swallowed its pride and accepted that current economic circumstances dictate a substantial increase in its borrowing costs.

This realisation, the result of tough bargaining with the mandated banks, is likely to be welcomed in the market as was Greece's return to the markets earlier this year at higher interest rate margins following economic adjustment measures.

By contrast with Greece, Algeria has not suffered a long gap in its borrowing before biting – in two stages – the bullet of higher spreads. Algeria has always been a demanding negotiator but the responses it has met in the market this year have already demonstrated once the advantages of doing so.

The last major deal, a $300m credit arranged in May for Banque Algerienne de l'Agriculture et du Developpement, was oversubscribed by lead managers with a margin over London interbank offered rates (Libor) of ⅜ percentage point, declining to ¼ for the final three years of a eight-year term.

That deal contrasted with a ⅝ point margin throughout on a $300m 10-year credit arranged in February for Banque Algerienne du Developpement, which was below the $500m originally targeted and was taken up mainly by Japanese banks.

The new loan, mandated to Banque Nationale de Paris and seven other banks, is for Banque Nationale d'Algerie. It is also for eight years but has a four-year grace period by contrast with five on the previous credit. It carries a margin of ⅝ points over Libor throughout its life.

Added incentives are a ⅜ point front-end fee, and transferable certificates. There will be a commitment fee of ⅜ but the credit is expected to be quickly drawn.

Elsewhere, if anyone doubted the market's acceptance of 4 basis point facility fees for top quality corporate borrowers, they will surely be convinced by the response to Rhône-Poulenc's seven-year credit, which has been increased by Société Générale from $200m to $275m after receiving subscriptions of $480m.

Further confirming the trend to lower fees – and also adding to the French flavour of the market last week – was the award of a mandate by Aerospatiale, the French state aircraft maker, to Société Générale.

The $250m revolving credit is for seven years, with a facility fee of 4 basis points and interest set 4 basis points above Libor. If it is more than half utilised, the borrower will pay a fee of 4 basis points. Lead managers are being asked to commit $20m and will receive 6 basis points.

This is Aerospatiale's first venture into the international markets. Though it is state owned, it is borrowing without an explicit guarantee. The credit will be used for general financing eventually including back-up for Euro-commercial paper.

Renfe, the Spanish state railway, is expected to set a new low point for fees this week on a $300m six-year facility. It has narrowed the field down to six bidders. With a state guarantee, a short maturity and the borrower's statement to bidders that pre-payment was possible, bankers say the facility fee may be as low as ⅛ – equivalent to 3⅛ basis points.

The Soviet Foreign Trade Bank's $300m loan, which has met resistance in the market, had not quite completed general syndication by Friday night but was not a disaster. Some $120m had been sold down by the five lead managers, and this was argued to be not unsatisfactory given the admittedly tight pricing and awkward timing.

Bank of Virginia has mandated Chase Manhattan to arrange a $75m three-year certificate of deposit facility at ⅛ above three-month Libor, with a 1/16 management fee. Skaraborgsbanken of Sweden has appointed Samuel Montagu to arrange a $50m euro-commercial paper programme.

EUROMARKET TURNOVER
Turnover ($m)

	Straight	Conv	FRN	Other
Primary Market				
US$	2,806.3	91.1	1,587.6	2,812.2
Prev	1,823.3	448.1	3,122.5	3,484.1
Other	443.6	280.7	184.6	126.8
Prev	426.9	4.2	—	212.6
Secondary Market				
US$	21,117.3	1,403.7	22,381.9	5,967.3
Prev	22,228.5	1,675.8	17,877.6	4,743.5
Other	12,476.9	320.9	2,837.6	6,078.9
Prev	12,712.7	221.2	3,440.6	6,423.5
	Cedel	**Euroclear**		**Total**
US$	16,440.7	41,447.7		57,888.4
Prev	14,671.2	39,837.8		54,509.0
Other	10,798.5	11,948.5		22,747.0
Prev	10,331.9	13,118.2		23,450.1

Week to Nov. 20, 1986 Source: AIBD

Cannon shares decline over payment problems

BY RODERICK ORAM IN NEW YORK

SIGNS of financial difficulty at Cannon Group, the fast-expanding maverick in film production and cinema ownership in the US and in Europe, sent its share and bond prices plunging in heavy trading on Wall Street.

According to documents filed by Cannon with the US Securities and Exchange Commission, the group's problems stem in part from paying for Screen Entertainment. Cannon bought the company from Mr Alan Bond, the Australian entrepreneur, earlier this year for £175m ($248m).

The share price closed down $2½ on Friday at $14 on trading of more than 15 per cent of its common stock.

Cannon has been built up rapidly by Mr Menahem Golan and Mr Yoram Globus, cousins from Israel.

The company said in its filing that it might have to make "material adjustments" to its accounts for the first nine months of this year, following a special audit by its new auditors.

It reported this week a loss for the period of $5.8m on revenues of $261m, against a net profit of $8.5m on $96m.

Cannon changed auditors in October after the SEC upgraded to a formal investigation its inquiry into the company's financial disclosure and accounting practices.

Cannon has a December 15 deadline to pay Mr Bond, who was reported to have resigned from the Cannon board, $53.3m in connection with the Screen Entertainment purchase. If it fails to make that deadline a further $30.5m payment falls due.

Dkr. 180,000,000

The Copenhagen County Authority
(Københavns Amtskommune)

9¼ per cent. Notes due 1993

Morgan Guaranty Ltd — Gudme Raaschou
Banque Bruxelles Lambert S.A. — Banque Indosuez
Banque Générale du Luxembourg S.A. — Banque Internationale à Luxembourg S.A.
Berliner Handels- und Frankfurter Bank — Credit Suisse First Boston Limited
Den Danske Bank — Den Norske Creditbank
DSL Bank Deutsche Siedlungs- und Landesrentenbank — Enskilda Securities Skandinaviska Enskilda Limited
Generale Bank — Kredietbank International Group
Privatbanken A/S — Sparekassen SDS
Svenska Handelsbanken Group — Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited — Westdeutsche Landesbank Girozentrale

Financial Advisor to the Issuer:
Gudme Raaschou

27th August, 1986

All of these securities have been sold. This announcement appears as a matter of record only.

All these Bonds have been sold. This announcement appears as a matter of record only.

European Economic Community
(EEC)

US$ 100,000,000
7% Bonds due 1991
Issue Price of the Bonds: 100¾% of the principal amount

Crédit Commercial de France

IBJ International Limited • Salomon Brothers International Limited

Banca Commerciale Italiana • Bankers Trust International Limited
Banque Bruxelles Lambert S.A. • Banque Internationale à Luxembourg S.A.
Banque Paribas Capital Markets Limited • Baring Brothers & Co., Limited
Citicorp Investment Bank Limited • County NatWest Capital Markets Limited
Crédit Lyonnais • Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft • EBC Amro Bank Limited
Enskilda Securities Skandinaviska Enskilda Limited • Kidder, Peabody International Limited
Kleinwort Benson Limited • Kredietbank International Group
LTCB International Limited • Merrill Lynch Capital Markets
Mitsui Trust International Limited • Morgan Guaranty Ltd
Morgan Stanley International • The Nikko Securities Co., (Europe) Ltd.
Shearson Lehman Brothers International • Sumitomo Finance International
Swiss Bank Corporation International Limited • Union Bank of Switzerland (Securities) Limited
S.G. Warburg Securities • Westdeutsche Landesbank Girozentrale

New Issue • December 3, 1986

Deutsche Bank set for control of BAI

BY ALAN FRIEDMAN IN MILAN AND ANDREW FISHER IN FRANKFURT

DEUTSCHE BANK is scheduled to examine the terms of its proposed takeover of the Italian bank subsidiary of the Bank of America at a board meeting tomorrow. The board meeting may even give initial approval to the deal.

Although the Frankfurt-based bank, West Germany's largest, is continuing to make no official comment on its expected $630m bid for the Banca d'America e d'Italia (BAI), it has been learnt that Italy's central Bank is prepared to approve such a deal. The Bank of Italy has already told private industrialists such as Mr Carlo De Benedetti and Mr Gianni Agnelli that it would prefer to see a bank rather than an industrial concern acquiring the profitable 98-branch BankAmerica unit. Mr De Benedetti's Cofida holding company said last week it was no longer interested in the acquisition.

Italian Bank suitors have also been told that the central bank in Rome prefers a non-Italian buyer for BAI, to avoid seeing a capital outflow of more than $600m from Italy.

If Deutsche Bank's board approves the deal tomorrow, a final decision would still be required from the bank's supervisory board. A purchase by Deutsche Bank of BAI, which has total deposits of $2.4bn, would mark the biggest investment by a West German concern in Italy since the 1984 takeover of Ras, Italy's second largest insurer, by Allianz the West German insurance group.

BankAmerica's head office in San Francisco has been looking for a buyer for its Italian subsidiary since the end of this past summer. The 67-year-old Italian bank has a successful consumer credit business and a return on assets which is double the average in Italian banking.

Aside from Deutsche Bank, which now has the inside track on the BAI takeover, the other banks which expressed interest in the acquisition have been Citicorp of the US, Midland Bank of the UK and Italy's Istituto San Paolo di Torino.

Profits dip at World Airways

By Charles Hodgson in New York

WORLD AIRWAYS, the US pioneer of cut price air travel that became a victim of the price wars it helped to start, has reported sharply reduced third quarter profits due to charges resulting from its withdrawal from scheduled air services.

The California-based carrier recorded a profit from continuing operations of $108,000, compared with $4.6m in the year-ago quarter on revenues that fell slightly to $24.2m from $26.7m.

The result reflected a $49.05m charge from discontinued operations, following the company's withdrawal in September from its loss making scheduled passenger services to concentrate on charter and aircraft maintenance operations.

For the nine months, World reported a net loss of $29.1m or $3.31 a share, compared with a loss of $141,000 or 42 cents a share.

Earnings from continuing operations in the nine months of $47.8m reflected a gain of $45.7m from termination of leases and sale of assets.

Property unit causes decline at Bredero

BY LAURA RAUN IN AMSTERDAM

BREDERO, the troubled Dutch construction group, unexpectedly disclosed that it probably would lose between Fl 60m and Fl 70m ($27m and $31m) this quarter mostly due to Breevast, its property subsidiary.

Mr A. G. Van Den Bos, chairman of the supervisory board, said operations would be drastically shrunk by selling assets worth about Fl 100m and cutting back personnel by two-thirds to 40. The board of management is to be halved to three in the reorganisation that is expected to return Bredero to profit by 1987.

The announcement on Friday startled the Amsterdam stock exchange, where trading in the separately listed Bredero and Breevast shares has been suspended since last Monday. Bredero had indicated last month, when Breevast received court protection from creditors, that losses for 1986 would amount to about Fl 10m compared with Fl 3.8m in the first half. Last year the Utrecht company posted a profit of Fl 9.4m.

Besides extra provisions for the 38 per cent owned Breevast, other causes of Bredero's plunge into problems are a write-off involving a construction project in Algeria, the low dollar and the slump in the oil industry.

Breevast, which has borrowed heavily to build its portfolio in the past decade, suddenly found itself unable to meet all its debts this year when the weak dollar squeezed income. A court decision on Breevast's future, including possible bankruptcy, will be made on December 10.

All trades done from Monday in Bredero and Breevast were declared void by the Amsterdam bourse, which is probing possible insider trading for the second time in two months. Mr Van Den Bos denied that board members, who simultaneously manage Bredero and Breevast, had abused inside information.

Bredero Properties, the 49 per cent-owned UK subsidiary, would not be hurt by the parent company's problems, Mr Van Den Bos said.

US Quarterlies, Page 35

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Toshiba Ceramics ¶‡	70	1991	5	3¾	100	Nomura Int.	3.750
Magna Int. §‡	75	1993	7	7	100	CSFB	7.000
Noritz Corp. ¶‡	30	1991	5	3¾	100	New Japan Secs.	3.750
Sodick Co. ¶‡	40	1991	5	3¾	100	Nomura Int.	3.750
Marriott/Portman ‡	375	1993	7	8⅜	101⅝	IBJ Int., LTCB Int.	8.062
EIB ‡	100	1993	7	7⅝	100½	Banque Paribas	7.531
Lucas Ind. §	50	2001	15	(5½)	100	J. H. Schroder Wagg	*
Aichi Toyota Motor Co. ¶	20	1991	5	(3¾)	100	Nomura Int.	*
First Chicago Corp. (a)†‡	125	1996	10	3/16	100	Salomon Brothers	–
Franklin Savings Ass. (b)†‡	250	1991	5	⅜	100	Merrill Lynch	–
Nippon Credit Bank ‡	100	1991	5	7½	101¼	Nippon Credit Int.	7.194
Thomas Brandt (c)‡	200	1991	5	7¼	101⅝	Morgan Stanley	6.855
Mutual of America ‡	100	1992	5	7⅝	101¼	Morgan Stanley	7.318
Canon Inc. ‡	120	1991	5	7⅝	101⅜	Yamaichi Int. (Eur)	7.287
Kanto Natural Gas ¶	40	1991	5	(3¾)	100	Yamaichi Int. (Eur)	*
Midland Bank (d)†‡	300	Perp.	–	10bp	100	Samuel Montagu	–
Mercedes Credit Corp. ‡	100	1993	7	7¼	100⅞	Deutsche Bk Cap. Mkts	7.198
IBM Japan ‡	150	1991	5	7¼	101⅞	Daiwa Europe	6.915
Norsk Hydro ‡	150	1992	5	7	100	CSFB	7.000
Mitsubishi Trust Fin. ‡	100	1993	7	7¾	101½	Mitsubishi Trust Int.	7.467
Swedish Export Cr. (f)‡	50	1989	3	8	100½	Bank of Tokyo Int.	–
Prudential Ins. (America) (h)†‡	500	2015.	2½/3	45bp	100	Goldman Sachs	–
Hasimo Chemicals ¶	30	1991	5	(3¾)	100	Daiwa Europe	*
Yukong Ltd. (g)†‡	50	1996	10	3/16	100	Daiwa Europe	–
CANADIAN DOLLARS							
Household Finance ‡	75	1992	5	10	101¼	Orion Royal Bank	9.673
General Motors (Canada) ‡	100	1991	5	9¼	101⅛	Dominion Secs.	8.961
CNT ‡	100	1994	7	9½	101⅛	BNP	9.274
National Bk M'gage Corp. ‡	100	1991	5	9½	101⅛	Yamaichi Int. (Eur)	9.208
AUSTRALIAN DOLLARS							
BHF-Bank Fin. ‡	50	1989	3	14½	101¼	Banque Paribas	12.714
Landesbk Rheinland-P. ‡	40	1991	5	14	101½	Orion Royal Bank	13.568
Colgate-Palmolive ‡	75	1991	5	14¼	101¾	Morgan Guaranty	13.743
Hamburgische L'bank ‡	50	1989	3	14¼	101¼	Merrill Lynch	13.714
Standard Elec. Lorenz ‡	30	1990	4	14	101¼	Commerzbank	13.575
Deutsche Bk Fin. ‡	75	1989	3	14	101	Deutsche Bk Cap. Mkts	13.572
McDonald's System Aus. ‡	50	1994	7	14⅛	101⅛	Morgan Stanley	13.888
NEW ZEALAND DOLLARS							
Pirelli Fin. Services ‡	40	1989	3½	16¼	101¼	Morgan Stanley	15.844
D-MARKS							
Nixdorf Int. Fin. ¶‡	500	1994	7	6¼	145	Deutsche Bank	–
Credit Suisse (Panama) ¶‡	150	1993	7	2	100	CSFB-Effectenbank	2.000
SWISS FRANCS							
Tsuzuki Denki Kogyo **¶‡	60	1991	–	2⅝	100	Crédit Suisse	2.625
Toyo Radiator Co. **¶‡	45	1993	–	2¾	100	Swiss Volksbank	2.750
Nippon Denko Co. **¶‡	50	1991	–	2⅝	100	UBS	2.625
Kanzaki-Osaka-P. ‡	100	1994	–	5	100	Nordfinanz-Bank	5.000
Arai-Gumi **¶‡	30	1991	–	2⅝	100	Crédit Suisse	2.625
Vestfjorden (Norway) ‡	140	1999	–	5	100	Soditic	5.000
Commerzbank ‡	125	1996	–	4¾	99¾	UBS	4.782
City of Yokohama ‡	100	1996	–	4¾	100	SBC	4.750
Kelag (Austria) **‡	50	1991	–	4⅝	100¼	SBC	4.568
Ichikoh Ind. **§	30	1992	–	(1¼)	*	SBC	*
Nippon Chemiphar **¶	50	1991	–	(2⅝)	100	Bqe Paribas (Suisse)	*
Canon Inc. **‡	75	1991	–	4¾	100	SBC	4.750
Canon Inc. **†‡	75	1991	–	(e)	100	SBC	–
Shizuki Electric **‡	15	1991	–	4⅞	100	Handelsbank	4.875
Norges Kommunalbank ‡	100	2001	–	5	100½	Bqe Gutzwiller, K.B.	4.952
ECUs							
Philip Morris ‡	75	1989	3	7¼	101¼	Bank of America Int.	6.776
Rautaruukki ‡	50	1993	7	7⅞	101½	Nippon European Bk	7.591
World Bank ‡	150	1997	10	7¾	101⅜	Banque Paribas	7.548
YEN							
Sweden ‡	25bn	1991	5	5⅜	101½	Nomura Int.	5.028

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ⌀ With bond warrants. ‖ Currency-linked. (a) 3/16 over 3m Libor, first coupon at higher of 6½% or 3/16 over 3m Libor. (b) ⅜ over 6m Libor. (c) Convertible into FRN due 1991 paying 1/16 over 3m Libor. (d) 10bp over 6m Libor. (e) Equal to 6m Libor. (f) Redemption amount linked to US T-Bond 11¼ 2015. (g) 3/16 over 6m Libor. (h) 45bp over 1m Libor – cap of 11½%. Note: Yields are calculated on AIBD basis.

Unions raise cash offer for Eastern Air

By Charles Hodgson in New York

A COALITION of unions representing 44,000 Eastern Airlines employees has increased its cash offer for the troubled US carrier to $11.50 a share as part of a last-ditch battle to keep Eastern from merging with rival Texas Air.

Eastern said it would consider the revised offer, which values the Miami-based carrier at more than $825m, but added that the new proposal did not seem any more realistic than previous union proposals, since the offer still does not have financing.

Texas Air, which owns 51 per cent of Eastern and whose chairman, Mr Frank Lorenzo, is also chairman of Eastern, said it intended to vote its majority holding in favour of the $10 per share, or $600m merger of Eastern with Texas. in spite of he revised union offer.

The proposal by the coalition, which represents pilots, flight attendants and machinists unions, provides for the refinancing "to the extent necessary" of Eastern's bad debt

St Gobain aims for the small shareholder

BY GEORGE GRAHAM IN PARIS

ST GOBAIN, the French glass and packaging group, claims to have had the widest spread of small shareholders in France before it was nationalised in 1982.

Mr Edouard Balladur, the Minister of Finance and the Economy, has done his utmost to ensure that the small shareholders come back to St Gobain, the first company under the hammer in his Government's ambitious privatisation campaign.

The shares have been priced well below early market estimates at FFr 310—just FFr 3 above the price at which St Gobain's non-voting certificates of investment were suspended three weeks ago. The price suggests Mr Balladur is leaving nothing to chance.

In addition, he has attached to the St Gobain share offer as many bells and whistles to attract small investors as he is allowed to do by the special laws governing the privatisation programe, which aims to sell 65 companies with an estimated total value of FFr 200bn ($30.2bn) over the next five years.

Mr Alain Juppe, the French Budget Minister, spells out the Government's ambitions. "We want to develop popular share ownership. At the moment in France there are no more than 1.5m direct shareholders. We want 3m or 4m, then we can rediscover entrepreneurial logic," he says.

Small investors will have priority in all the privatisations, and anyone applying for 10 shares or less will have his application met in full before larger orders are filled. Those asking for between 10 and 50 shares will be scaled down less than larger applicants if the offer is oversubscribed.

In addition, individuals will get one free share for every ten bought at issue if they hold on to them for 18 months, up to a total of five free shares.

Employees of St Gobain have 10 per cent of the shares on offer set aside for them on even better terms. They get a 5 per cent discount on the share price.

Will this be enough to draw in France's small investors? The recent sale of an 11 per cent state shareholding in Elf, the oil company, drew nearly 300,000 applications, and Finance Ministry officials are hoping for 1m for St Gobain.

By the end of last week, however, St Gobain's telephone information service had received only 10,000 inquiries, a for cry from the millions who rang in to ask about British Telecom in the UK.

Cara plans car parts bid

BY BERNARD SIMON IN TORONTO

CARA OPERATIONS, a successful Toronto-based fast-food and catering chain, has proposed a merger with Canadian Tire, the much larger hardware and automotive parts retailer.

Responding to an earlier solicitation of bids from members of Canadian Tire's controlling Billies family, Cara said it hoped its proopsal would be supported by Canadian Tire's shareholders and management.

The present market value of the Billies family's 61 per cent voting interest is C$82m (US$ 59m).

Airborne rejects takeover

AIRBORNE FREIGHT, the US air delivery company, has rejected a $29 per share takeover bid by TNT, the Australian freight transport group.

Airborne said the offer, which values the company at $172m, was inadequate. The decision also reflected the board's concern that if foreign entities, including TNT, were to own more than 25 per cent of the company, it would cease to be "a citizen of the US," under Federal law

The company has adopted a shareholder rights plan, designed principally to prevent TNT or any other foreign party gaining a stake sufficient to threaten Airborne ....

INTERNATIONAL PROPERTY REVIEW
THE FT EVERY FRIDAY

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New Issue / November, 1986

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Mitsubishi Trust International Limited
Mitsui Trust International Limited
Morgan Stanley International
Nippon Credit International Limited
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October 1986

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Boesky affair sparks off flight to quality

SIGNS OF an old-fashioned flight to quality were visible in the credit markets last week, with prices of long-dated government paper rising by around a point while prices of high-yield low-grade securities, popularly known as "junk bonds," fell sharply.

Mr Ivan Boesky, the self-styled "king of the arbitrageurs" who play the market in takeover stocks, has never been a force in the $120bn junk bond market, but for Drexel Burnham Lambert, Mr Boesky's investment banker, the junk bond market is its life blood.

Drexel's pre-eminent position in the market is underlined by the fact that so far this year it has managed more than $15bn of new junk bond issues, or nearly twice as much as the next three issuers combined—Merrill Lynch, Morgan Stanley and First Boston. Drexel's position in the junk bond market and, in particular, its ability to raise financing where others failed has been the key to its rapid ascent in the Wall Street hierarchy.

Consequently, the news that Mr Boesky had been fingered in the biggest insider trading scandal since the 1920s and reports that Drexel and some of its key executives, including Mr Michael Milkin, its reclusive junk bond marketing wizard, had been subpoenaed by the Securities and Exchange Commission and a Federal grand Jury, sent junk bond prices plummeting.

The bid price of the 15-year 12½ per cent subordinated debentures issued by BCI Holdings to help finance the $6bn leveraged buyout of Beatrice companies earlier this year fell by around 5 points to a mid-week low of 107. Macy Merger's zero coupon bonds, due 2002, fell by 4 points to 39¼, and Armco, the financially troubled steel maker, decided to pull a $300m issue of convertible debt securities because of the generally unfavourable condition of the high yield bond market and the depressed price of its own stock.

Nevertheless, there were some tell-tale signs that all was not well in the world of junk paper. Wickes, one of the biggest junk bond issuers, was among the first to be hit by the financial community's jitters. It announced that its agreed $1.7bn bid for Lear Siegler was in jeopardy because it was having difficulty raising the bank financing. It appears that the banks were having doubts that the highly leveraged company would be able to quickly refinance itself in the junk bond market.

Despite the questions being raised about the junk bond market, Drexel Burnham continued to pump out sizeable issues of new paper last week. A $750m issue of 10-year senior subordinated notes for Safeway Stores Holdings, rated B2 by Moody's, was priced at par to yield 11.75 per cent and a $250m issue of 12-year subordinated debentures was also priced at par to yield 12 per cent.

Warnaco, another Drexel client, issued $156m of 10-year senior subordinated notes (rated CAA by Moody's) at a yield of 12½ per cent as part of a $390.5 package of junk bonds to finance a leveraged buyout of the clothing manufacturer.

Holiday Corporation, parent of the Holiday Inn hotels chain, is using Drexel to raise $600m of mortgage debt secured by its casinos and $500m of subordinated debt, as part of a $2.7bn recapitalisation. Reflecting the market's concern about Drexel's ability to continue marketing paper, Mr Fred Joseph, Drexel's chief executive, took the unusual step of voicing his enthusiasm for the forthcoming Holiday issue and said that his firm was "highly confident" that it could raise the entire $2.7bn, if necessary.

Among the substantial issues of junk bond paper that Drexel has in its pipeline is a $500m issue of 15-year subordinated debentures for Bond Brewing Holdings, which is expected to come to market shortly. In common with most of its other junk bond issues, Drexel is the sole lead manager, underlining its confidence in Mr Milken's impressive marketing skills.

The events of the last week have tested the resiliency of one of the fastest growing segments of the US credit markets. Given Drexel's key role in maintaining a secondary market in the more than $30bn of junk bonds it has underwritten, the fear is that the market's liquidity could be in some way reduced by the shockwaves of the Boesky affair.

Meanwhile, at the quality end of the US corporate bond market, the pace of new issues has begun to pick up speed again as rates on new long-dated issues of double-A industrials, for example, fell by 12 basis points to 8.88 per cent.

ICI North America issued $250m of 20-year debentures to yield 8.875 per cent, for a spread of 114 basis points above comparable US Treasuries. GTE issued $250m of 30-year debentures at a yield of 9.388 per cent, for a spread of 17½ basis points above comparable US government paper, and Anheuser-Busch raised $150m of 30-year debentures (rated AA3 by Moody's) at a yield of 8.901 per cent.

William Hall

US MONEY MARKET RATES (%)

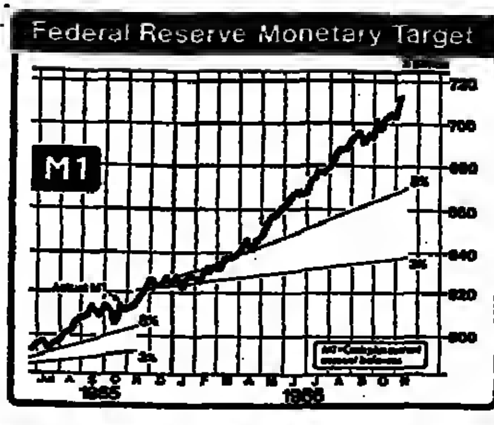
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.28	5.86	5.94	9.91	6.71
Three-month Treasury bills	5.36	5.37	5.26	7.28	5.01
Six-month Treasury bills	5.40	5.44	5.33	7.28	5.06
Three-month prime CDs	5.78	5.80	5.76	8.05	5.46
30-day Commercial Paper	5.85	5.83	5.75	8.05	5.65
90-day Commercial Paper	5.78	5.78	5.70	7.95	5.45

US BOND PRICES AND YIELDS (%)

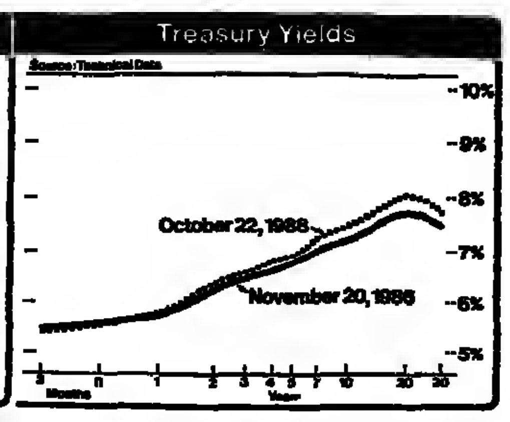
	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100¾	+ ⅛	6.98	7.10	7.25
20-year Treasury	116¾	+ 1⅛	7.69	7.82	8.05
30-year Treasury	100⅞	+ 1	7.44	7.52	N/A
New 10-year "A" Financial	N/A	+ 2⅛	8.12	8.50	8.50
New "AA" Long utility	N/A	+ 2⅛	9.00	8.25	9.38
New "AA" Long industrial	N/A	+ 1⅛	8.88	8.00	9.13

Source: Salomon Bros (estimates).
Money Supply: In the week ended November 10 M1 rose by $9.4bn to $712.8bn.

Federal Reserve Monetary Target



Treasury Yields



FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅞ 94	100	103¾	0	11.05
AIDC 11 89	75	107½	+0⅛	7.16
Alcan Australia 8½ 99	25	100	0	0.46
Amer Saving 12 89	125	105¼	−0⅛	9.18
Amer Saving 12¾ 89	100	105¾	0	9.48
Asian Dev Bk 11⅞ 93	100	115½	+1	9.70
Australia 8¾ 91	80	102	−0⅛	8.22
Australia 11½ 90	100	111¼	−0⅛	7.65
Australia 11½ 95	100	116	+0⅛	9.08
Austria 16½ 88	75	111½	0	0.10
Avon Fin 10⅞ 92	100	105⅞	+0⅛	8.88
Bk Nova Scotia 13⅞ 87	100	105¾	−0⅛	5.27
Bank of Tokyo 12⅞ 92	95	118⅝	+0⅛	8.39
Bank of Tokyo 13⅝ 91	100	121¾	+0⅛	7.79
Bank of Tokyo 13⅞ 89	100	116⅝	+0⅛	7.25
BMW O/S Ents 10⅞ 91	90	110	+0⅛	7.85
BP Capital 11½ 92	180	111½	+0⅞	8.35
Br Col Hydro 12½ 14	200	130⅛	+1	9.53
Br Col Hydro 12½ 13	250	129⅝	+0⅛	9.69
Br Col Hydro 13⅞ 88	150	110½	+0½	6.52
Britoil Fin 11⅞ 90	125	107⅞	+0⅛	9.38
Caisse Nat En 11⅞ 96	125	122	+1	7.98
Canada 10⅞ 88	500	107⅞	0	6.47
CBS Inc 11½ 92	100	109⅝	+0⅛	9.32
Centrust B & L 10	1.2bn	11¾	+0⅛	9.81
Cheesebrough 12 93	100	111	+0⅛	9.64
Citicorp 10 88	200	104⅞	0	6.94
Citicorp 11⅞ 92	100	108¼	−0⅛	9.68
Citicorp 11½ 97	200	109¾	0	10.23
Citicorp O/S 10⅝ 90	100	101½	−0⅛	9.80
Citicorp O/S 11½ 90	100	104½	−0⅛	10.38
CNCA 11½ 92	125	116⅛	+0½	7.69
CNCA 13⅞ 91	100	121¾	+0⅛	7.48
Coastfed Int 12¼ 89	125	106⅝	0	7.47
Coca-Cola 11½ 88	100	105¼	0	6.79
Cn Fn de Paris 13⅞ 89	100	107	−0⅛	10.82
Continental Grp 11½ 93	75	104¾	+0⅛	10.46
Creditanstalt 13⅛ 91	100	118¾	−0⅛	8.06
Daiichi Kangyo 12¼ 90	100	115⅝	+0⅛	7.44
Denmark 10⅞ 90	100	104⅝	0	9.17
Denmark 11½ 92	100	118⅛	+0⅛	7.69
Denmark 12¼ 93	100	111¼	+0⅛	9.93
Denmark 12⅞ 92	250	101½	−0⅛	12.31
Denmark 13 91	100	120⅝	+0⅛	7.48
Denmark 13 92	100	101½	0	12.58
Denmark 13¼ 91	100	122½	+0½	7.66
Denmark 14 91	100	111½	0	10.69
Digital Equip 11½ 89	150	109⅞	+0⅛	8.99
Dutch St Mines 11⅞ 91	150	106⅝	−0⅛	6.47
Eksportfinans 11¼ 92	100	115⅛	+0½	7.68
Eksportfinans 11½ 90	100	108	0	8.71
Elec de France 11¼ 93	100	117⅞	+0⅛	7.64
Elec de France 12¼ 87	180	105½	−0⅛	6.46
EEC 9⅝ 90	350	106	0	7.67
EEC 11 87	350	102⅞	0	8.28
EEC 11½ 90	100	111½	+0⅛	6.96
Elf-Aquitaine 10⅞ 89	100	106½	−0⅛	7.55
Ericsson L M 10½ 89	100	103⅞	0	7.51
Euro Inv Bk 11½ 90	200	115	+0⅛	7.12
Euro Inv Bk 11⅞ 91	75	111¾	+0⅛	8.36
Euro Inv Bk 12½ 90	100	117¾	+0⅛	6.64
EDC 9⅞ 89	200	104⅞	+0⅛	5.67
EDC 10 89	125	104½	+0⅛	6.29
EDC 10¼ 89	100	104¾	−0⅛	6.41
EDC 11⅞ 89	150	108¾	0	6.74
EDC 12 89	100	113	+0⅛	6.96
EDC 13¼ 87	100	105½	−0⅛	6.28
Fed Dept Stores 11 90	100	109¾	−0⅛	7.39
Finland 11½ 88	100	105⅛	0	6.52
Finland 12⅞ 94	75	125¼	+0⅞	7.87
Finnish Export 12½ 87	75	105½	−0⅛	6.63
Firstfed Mich 1 13⅞ 89	125	111¾	+1⅛	0.10
Florida Fed 12⅞ 89	100	108⅝	−0⅛	9.32
FHMA 11.5 91	300	112⅞	0	0.27
Gen Elec Cred 0 96	600	46	+1⅛	8.39
Gen Elec Cred 8⅞ 91	100	105⅝	+0⅛	0.30
Gen Elec Cred 10⅞ 90	200	106⅞	+0⅛	9.46
Gen Elec Cred 11 91	200	106⅞	0	9.06
Gen Elec Cred 11½ 87	200	104⅞	−0⅛	10.82
Gen Elec Cred 12 94	200	115¾	+0⅛	9.13
Gen Foods Cap 11½ 90	75	108⅝	+0⅛	8.14
General Mills B 12 91	100	115⅛	+0⅛	8.23
Gen Motors Acc 10½ 90	200	104⅞	+0⅛	0.86
Gen Motors Acc 11½ 90	100	107⅞	0	9.05
GMAC 10 92	250	107⅜	0	8.36
GMAC 10 89	200	104	0	6.58
GMAC O/O Fin 15⅞ 87	100	106¾	+1⅛	10.52
GTE Finance 12 98	75	102¼	0	11.67
Gulf Oil 10⅞ 94	100	102⅞	−0⅛	9.72
GZB 14 91	100	120½	+0⅛	8.41
Holl Air Fin 12⅞ 91	100	107	−0⅛	10.10
Household Fin 11½ 92	100	112	0	0.63
IBM 9⅞ 88	200	103⅜	0	9.12
IBM (WTC) 10⅞ 89	300	105	0	9.68
IBM Credit 11 89	100	105	0	9.03
IC Industries 8⅞ 87	35	99⅞	0	8.81
IC Industries 12 90	75	108½	0	8.38
Isco 9 92	100	99	0	9.22
Ind Bk Japan 10⅞ 92	100	108½	−0⅛	8.63
Ind Bk Japan 10⅞ 98	100	105	−0⅛	7.01
Ind Bk Japan 10⅞ 95	100	111	+0⅛	8.91
Ind Bk Japan 11½ 89	125	107⅝	+0⅛	7.80
Int-Amer Dev 12⅞ 91	150	120⅝	+0⅛	7.80
Int-Amer Dev 11½ 94	200	122½	+1	8.01
Int Paper 12 91	75	108⅝	+0⅛	10.00
Int Stand Elec 0 97	112	37¼	+0⅛	10.06
Int Stand Elec 12 96	75	107⅞	+0⅛	10.05
ITT 11½ 89	125	108½	+0⅛	8.21
ITT Credit Corp 10⅞ 90	75	107¼	+0½	8.06
Japan Airlines 12½ 94	70	117⅞	−0⅛	8.08
Japan-Dev Bk 10⅞ 92	50	106⅝	+0½	8.52
Kellogg Co 10⅞ 90	100	107½	+0⅛	8.11
Kellogg Co 11½ 92	100	109⅝	0	8.99
Kiewit 10⅞ 90	100	106⅝	+0⅛	8.11
Kimberly-Clark 12 94	100	121½	+0⅛	8.29
Kyowa Fin HK 12⅞ 90	100	111½	+3½	8.39
Long Term Cred 10⅞ 90	100	110¼	+0⅛	7.36
Long Term Cred 11 90	100	110¼	−4⅞	7.33
Long Term Cred 11⅞ 89	100	110⅝	+0⅛	7.04
Long Term Cred 12 93	100	120⅝	+0⅛	0.04
Macy R H 11½ 91	100	103⅝	−0⅛	10.86
Marubeni 11½ 91	100	111¼	+0⅛	8.52
McDonald Fin 11½ 94	75	106½	−0⅛	9.89
Merrill Lynch 12⅞ 89	100	105½	0	10.41
Michelin 7½ 88	58	99⅞	0	8.12
Mitsubishi Corp 10½ 92	100	107½	+0⅛	8.64
Mitsubishi Corp 10⅞ 95	200	109⅛	+0½	8.89
Mitsubishi Corp 12⅞ 91	100	116	−0⅛	9.05
Mitsubishi Est 10⅞ 92	50	107½	+0⅛	8.78
Mitsubishi Est 11⅞ 88	50	105	−0⅛	7.64
Mitsui Fin Asia 12⅞ 92	100	114⅞	0	8.47
Mitsui Tst Fin 12 91	100	112⅞	+1⅛	8.24
Mobil Corp 10⅞ 90	200	107	+0⅛	7.86
Montreal City 12½ 91	70	113⅞	+0⅛	8.51
Mgn Guaranty 12⅞ 89	150	111⅝	0	7.80
Morgan J P 11½ 92	100	109⅞	0	8.93
Mount Is Fin 13⅞ 87	100	104	−0⅛	7.07
Ned Gasunie 11½ 90	75	112	+0⅛	7.80
Ned Gasunie 11½ 91	75	108⅝	+1⅛	8.80
N Eng Lf Mtg 11⅞ 95	140	115⅝	+0⅛	8.96
Newfoundland 13 91	75	115½	+0⅛	8.59
Nippon Cred Bk 13⅞ 89	100	116	+0⅛	7.36
Nippon Cred Bk 8⅞ 93	50	87	−0⅛	12.25
Nippon Tel Tel 11⅞ 90	100	109⅝	+1⅛	7.99
Nippon Tel Tel 12⅞ 91	100	118⅝	+0⅛	7.99
Nissho Iwai 10⅞ 92	100	108⅞	+0½	9.59
Norsk Hydro B 98	150	98⅞	+1	8.25
Nova Scotia 11½ 91	100	108⅞	+0½	9.83
Nova Scotia 11⅞ 98	100	112⅝	+0⅛	8.81
Oester Post 12¼ 89	75	110¼	−0⅛	7.39
Ontario Hydro 11½ 94	200	120⅝	+1	7.81
Ontario Hydro 11⅞ 90	200	114⅝	0	7.25
Ontario 12½ 94	250	125½	+0⅛	8.02
Pacific Gas & El 12 00	75	114⅝	+1⅛	8.92
Penney J C 11⅞ 90	100	105	0	10.24
Penney J C 12⅞ 91	100	112¼	−0⅛	9.47
Postipankki 11½ 90	75	109⅝	0	7.82
Post-Och Kred 13½ 87	50	104⅝	+0⅛	9.30
Privatbanken 12½ 95	100	119½	+0⅛	9.02
Prudential Ins 12⅞ 87	150	105½	+0⅛	5.24
Pru Rlty Secs 0 99	365	35⅞	+1	8.93
Pru Rlty Secs 11½ 92	365	109⅞	−0⅛	9.36
Pru Rlty Secs 12⅞ 95	545	118	+0⅛	8.91
Quebec Prov 12⅞ 94	150	114⅝	+0⅛	9.42
Queensland Gvt 11½ 88	100	111½	+0⅛	7.27
RBC 11½ 90	100	106½	−0⅛	8.07
Rural Bk Aust 12 91	50	111⅞	+0⅛	8.52

US DOLLAR STRAIGHTS (continued)	Issued	Price	Chg. on week	Yield
Sanwa Bank 11½ 92	150	[illegible]	[illegible]	[illegible]
Sanwa Intl 11½ 92	100	[illegible]	[illegible]	[illegible]
Saskatchewan 10⅞ 92	100	[illegible]	[illegible]	[illegible]
Saskatchewan 10⅞ 90	125	[illegible]	[illegible]	[illegible]
Saskatchewan 11⅞ 89	100	[illegible]	[illegible]	[illegible]
Saskatchewan 15 92	150	[illegible]	[illegible]	[illegible]
Saskatchewan 16 89	125	[illegible]	[illegible]	[illegible]
Scor Intl Fin 10⅞ 90	60	[illegible]	[illegible]	[illegible]
Sears O/S Fin 0 98	500	[illegible]	[illegible]	[illegible]
Sears O/S Fin 11½ 93	150	[illegible]	[illegible]	[illegible]
Sears Roebuck 10½ 91	180	[illegible]	[illegible]	[illegible]
Sears Roebuck 11½ 91	150	[illegible]	[illegible]	[illegible]
Sec Pacific 10⅞ 89	100	[illegible]	[illegible]	[illegible]
Shearson/Amex 12½ 94	100	[illegible]	[illegible]	[illegible]
Shell (Canada) 14⅞ 92	125	[illegible]	[illegible]	[illegible]
Signal Comps 11¼ 92	125	[illegible]	[illegible]	[illegible]
Standard Oil 10⅞ 89	150	[illegible]	[illegible]	[illegible]
Statoil 12 98	100	[illegible]	[illegible]	[illegible]
Sumitomo F. A. 10⅞ 90	100	[illegible]	[illegible]	[illegible]
Sumitomo Fin 11½ 92	150	[illegible]	[illegible]	[illegible]
Sumitomo Fin 12⅞ 91	150	[illegible]	[illegible]	[illegible]
Sumitomo Trust 12½ 92	100	[illegible]	[illegible]	[illegible]
Sweden 8½ 94	150	[illegible]	[illegible]	[illegible]
Sweden 11½ 88	200	[illegible]	[illegible]	[illegible]
Sweden 12⅞ 89	200	[illegible]	[illegible]	[illegible]
Swedish Export 7½ 93	100	[illegible]	[illegible]	[illegible]
Swedish Export 11½ 89	100	[illegible]	[illegible]	[illegible]
Swedish Export 12⅞ 99	100	[illegible]	[illegible]	[illegible]
Taiyo Kobe 11⅞ 90	100	[illegible]	[illegible]	[illegible]
Tenneco Corp 11½ 89	150	[illegible]	[illegible]	[illegible]
Texaco Capital 10⅞ 90	200	[illegible]	[illegible]	[illegible]
Texaco Capital 11½ 95	250	[illegible]	[illegible]	[illegible]
Texaco Capital 13½ 88	200	[illegible]	[illegible]	[illegible]
Texas Inst 11⅛ 91	150	[illegible]	[illegible]	[illegible]
Tokai Asia 11½ 95	100	[illegible]	[illegible]	[illegible]
Tokai Asia 12¼ 91	100	[illegible]	[illegible]	[illegible]
Tokyo Elec Pr 13⅞ 89	100	[illegible]	[illegible]	[illegible]
Toray Inds 11½ 92	50	[illegible]	[illegible]	[illegible]
Toronto-Dom 12⅞ 89	50	[illegible]	[illegible]	[illegible]
UBS 12¼ 91	100	[illegible]	[illegible]	[illegible]
Utd Teck 11½ 92	180	[illegible]	[illegible]	[illegible]
Vnbe 8 93	70	[illegible]	[illegible]	[illegible]
West LB 11⅞ 90	100	[illegible]	[illegible]	[illegible]
Westpac 12⅞ 92	100	[illegible]	[illegible]	[illegible]
Weyerhaeuser 11½ 90	80	[illegible]	[illegible]	[illegible]
World Bank 11 92	300	[illegible]	[illegible]	[illegible]
World Bank 11¼ 90	200	[illegible]	[illegible]	[illegible]
World Bank 11½ 89	200	[illegible]	[illegible]	[illegible]
World Bank 12 92	200	[illegible]	[illegible]	[illegible]
World Bank 15 89	150	[illegible]	[illegible]	[illegible]
World Bank 16½ 88	100	[illegible]	[illegible]	[illegible]
Yasuda Trust 12⅞ 89	100	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
Allied Irish ⅛ 95	100	[illegible]	[illegible]	[illegible]
Allied Irish ⅛ Perp	100	[illegible]	[illegible]	[illegible]
Arab Bank Corp ⅛ 96	100	[illegible]	[illegible]	[illegible]
Banco di Roma ⅛ 89	150	[illegible]	[illegible]	[illegible]
Bnc di Roma ⅛ 92 CU	75	[illegible]	[illegible]	[illegible]
Bank-America O/S ⅛ 96	400	[illegible]	[illegible]	[illegible]
Bankers Tr NY ⅛ 94	200	[illegible]	[illegible]	[illegible]
Bank Montreal ⅛ 94 £	100	[illegible]	[illegible]	[illegible]
BCI 0.15 98	300	[illegible]	[illegible]	[illegible]
Bqe Nat Paris ⅛ 89	400	[illegible]	[illegible]	[illegible]
Bqe Nat Paris ⅛ 95	400	[illegible]	[illegible]	[illegible]
Barclays O/S ⅛ Perp	600	[illegible]	[illegible]	[illegible]
Barclays O/S Inv ⅛ 04	350	[illegible]	[illegible]	[illegible]
BBL ⅛ 89	100	[illegible]	[illegible]	[illegible]
BFCE ⅛ 97	400	[illegible]	[illegible]	[illegible]
BNP 05	300	[illegible]	[illegible]	[illegible]
Belgium ⅛ 04	400	[illegible]	[illegible]	[illegible]
Belgium B 0.08 2011	250	[illegible]	[illegible]	[illegible]
CCF 97	250	[illegible]	[illegible]	[illegible]
CEPME ⅛ 98 £	100	[illegible]	[illegible]	[illegible]
Chase Manhattan ⅛ 00	250	[illegible]	[illegible]	[illegible]
Chase Manhattan ⅛ 09	400	[illegible]	[illegible]	[illegible]
Chemical NY ⅛ 99	300	[illegible]	[illegible]	[illegible]
Citicorp O/S ⅛ 91 £	100	[illegible]	[illegible]	[illegible]
Citicorp Bkg ⅛ 97	250	[illegible]	[illegible]	[illegible]
CNT ⅛ 00	300	[illegible]	[illegible]	[illegible]
Commerzbank ⅛ 89	150	[illegible]	[illegible]	[illegible]
Creditanstalt ⅛ 96	150	[illegible]	[illegible]	[illegible]
Credit Foncier 97	350	[illegible]	[illegible]	[illegible]
Credit Foncier ⅛ 00 £	100	[illegible]	[illegible]	[illegible]
Credit Lyonnais ⅛ 95	300	[illegible]	[illegible]	[illegible]
Credit Lyonnais ⅛ 99	250	[illegible]	[illegible]	[illegible]
Credit Lyonnais ⅛ 00	300	[illegible]	[illegible]	[illegible]
Credit National ⅛ 95 £	100	[illegible]	[illegible]	[illegible]
Denmark ⅛ 04	500	[illegible]	[illegible]	[illegible]
Eldorado Nuke 98	100	[illegible]	[illegible]	[illegible]
Elec de France ⅛ 99	400	[illegible]	[illegible]	[illegible]
ENEL ⅛ 93 £	100	[illegible]	[illegible]	[illegible]
Ferr del Stat ⅛ 89	100	[illegible]	[illegible]	[illegible]
Ferro del Stat 97	420	[illegible]	[illegible]	[illegible]
Finnpap ⅛ 95	100	[illegible]	[illegible]	[illegible]
First Chicago ⅛ 94	100	[illegible]	[illegible]	[illegible]
First Chicago ⅛ 97	200	[illegible]	[illegible]	[illegible]
Ford Motor Cr ⅛ 91	200	[illegible]	[illegible]	[illegible]
Fuji Intl ⅛ 98	200	[illegible]	[illegible]	[illegible]
GW O/S Fin ⅛ 94	100	[illegible]	[illegible]	[illegible]
Grindlays ⅛ 94	100	[illegible]	[illegible]	[illegible]
Halifax ⅛ 96 £	200	[illegible]	[illegible]	[illegible]
Ireland ⅛ 93 £	50	[illegible]	[illegible]	[illegible]
Ireland ⅛ 94	300	[illegible]	[illegible]	[illegible]
Ireland ⅛ 89 £	100	[illegible]	[illegible]	[illegible]
Ireland ⅛ 97	300	[illegible]	[illegible]	[illegible]
Ireland ⅛ 99	300	[illegible]	[illegible]	[illegible]
Italy ⅛ 94	1bn	[illegible]	[illegible]	[illegible]
Italy 00	500	[illegible]	[illegible]	[illegible]
Italy ⅛ 00	600	[illegible]	[illegible]	[illegible]
Lincoln S & L ⅛ 95	100	[illegible]	[illegible]	[illegible]
Lloyds Bank ⅛ Perp	750	[illegible]	[illegible]	[illegible]
Lloyds Euro ⅛ 93	200	[illegible]	[illegible]	[illegible]
Malaysia ⅛ 93	850	[illegible]	[illegible]	[illegible]
Malaysia ⅛ 05	650	[illegible]	[illegible]	[illegible]
Malaysia ⅛ 94	600	[illegible]	[illegible]	[illegible]
Man Hanover ⅛ 97	200	[illegible]	[illegible]	[illegible]
Marine Midland ⅛ 94	125	[illegible]	[illegible]	[illegible]
Marine Midland ⅛ 00	125	[illegible]	[illegible]	[illegible]
Marine Midland ⅛ 09	150	[illegible]	[illegible]	[illegible]
Mellon Bank ⅛ 95	250	[illegible]	[illegible]	[illegible]
Midland Int ⅛ 99	200	[illegible]	[illegible]	[illegible]
Mitsui Fin ⅛ 95	100	[illegible]	[illegible]	[illegible]
Morgan Grenfell ⅛ 94	50	[illegible]	[illegible]	[illegible]
Mtg Intermed ⅛ 10 £	50	[illegible]	[illegible]	[illegible]
Nationwide 1/10th 96	250	[illegible]	[illegible]	[illegible]
Nat Bank Canada ⅛ 91	50	[illegible]	[illegible]	[illegible]
NatWest ⅛ 05	400	[illegible]	[illegible]	[illegible]
NatWest Fin ⅛ Perp	500	[illegible]	[illegible]	[illegible]
Neste Oy ⅛ 94	100	[illegible]	[illegible]	[illegible]
New Zealand ⅛ 96	250	[illegible]	[illegible]	[illegible]
New Zealand 2001	350	[illegible]	[illegible]	[illegible]
NZ Steel Corp ⅛ 92	300	[illegible]	[illegible]	[illegible]
Oestr Land Bank ⅛ 98	100	[illegible]	[illegible]	[illegible]
Portugal ⅛ 92	100	[illegible]	[illegible]	[illegible]
Quebec Hydro ⅛ Perp	400	[illegible]	[illegible]	[illegible]
Renfe ⅛ 91	100	[illegible]	[illegible]	[illegible]
Royal Bk Canada ⅛ 00	350	[illegible]	[illegible]	[illegible]
Sanwa Int Fin ⅛ 92	150	[illegible]	[illegible]	[illegible]
Security Pac ⅛ 97	250	[illegible]	[illegible]	[illegible]
Shawmut Corp ⅛ 97	50	[illegible]	[illegible]	[illegible]
SHCF ⅛ 98 £	75	[illegible]	[illegible]	[illegible]
Soc Generale ⅛ 97	400	[illegible]	[illegible]	[illegible]
Soc Generale ⅛ 64	250	[illegible]	[illegible]	[illegible]
Spain ⅛ 97	250	[illegible]	[illegible]	[illegible]
Standard Chart ⅛ 94	200	[illegible]	[illegible]	[illegible]
Sumitomo Trust ⅛ 94	100	[illegible]	[illegible]	[illegible]
Sweden 90	700	[illegible]	[illegible]	[illegible]
Sweden ⅛ 00	750	[illegible]	[illegible]	[illegible]
Taiyo ⅛ 04	100	[illegible]	[illegible]	[illegible]
Takugin ⅛ 94	100	[illegible]	[illegible]	[illegible]
Thailand ⅛ 00	50	[illegible]	[illegible]	[illegible]
UBAF ⅛ 90	85	[illegible]	[illegible]	7
Union Bank-Norw ⅛ 99	50	99⅝	+0⅛	6⅛
United Kingdom 92	2.5bn	100⅛	0	5$\frac{15}{16}$
Wells Fargo ⅛ 94	180	100⅛	−0⅛	5⅞
Wells Fargo ⅛ 98	50	99⅝	0	6½
Woolwich Equit ⅛ 95	220	99⅝	−0⅛	11$\frac{7}{16}$
Yokohama ⅛ 94	100	100¼	0	6$\frac{7}{16}$
Yorkshire Int ⅛ 94 £	75	100	−0⅛	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	258½	+10¼	2.39
Ajinomoto 5⅞ 96	40	341	+0⅛	−0.42
Best Denki 5⅞ 87	15	257½	−7⅛	−3.30
Canon 7 97	50	261⅛	+5⅛	−1.67
CIR Intl 4⅞ 95	85	138½	−6	−8.14

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11½ 91	15/2/88	99⅞	+4⅛	8.45
Coca Cola 11½ 91	28/11/86	122	+2⅛	8.30
Dart Kraft Fin 10⅞ 96	1/1/96	25½	0	9.81
O Norske Cr 11½ 91	1/2/88	97½	+9	8.48
Eksportfinans 13⅞ 90	15/9/87	133⅛	+5⅞	7.75
Holland Air 11½ 91	10/8/88	63½	+1⅛	8.61
Ind Bk Jpn 12⅞ 91	6/10/89	170⅛	+4⅛	8.44
Mitsubishi Fn 12⅞ 91	8/11/89	161⅛	−0⅛	8.49
J P Morgan 11½ 90	16/8/87	98	+1⅛	7.87
Texaco Cap 12⅞ 92	1/9/87	70	+11	11.14
Wils Frgo A 12⅞ 91	27/12/89	115	−1	8.48
Weyerhsr C 11½ 90	15/11/87	85	+1⅛	8.28

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued in expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on November 21.

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UK GILTS

Market demoralised by sterling's gyrations

THE UK government bond market had a demoralising time last week as it was turned once again to the gyrations of sterling on foreign exchanges.

Long-dated gilts ended Friday, despite something of a recovery in sterling, still above the key psychological 11 per cent yield level. Enquiries from overseas came through during the week in response to the very high level of yields but phone calls were dominated by worried talk about the pound.

Domestic retail interest remained at a low ebb with few signs of fresh funds being committed even at these attractive yields although some professional trading by institutions dipping in and out of the market to make a small turn boosted volume somewhat.

There had been hopeful signs of a rally in index-linked gilts earlier in the week which encouraged the Bank of England to take two £50m tranches of index-linked stock on to its books.

But by Friday, the interest seemed to have petered out. Although the Bank found some buyers, demand was not strong enough to shift all the stock, suggesting there had been nothing more than the sort of short-lived spurt so typical of the sector. It seems some of the more scarifying inflation forecasts which have emerged from City brokers have not fundamentally changed the outlook for index-linked gilts. Still, by holding roughly steady on the week, they comfortably outperformed conventionals.

The end of the week saw the signs of a classic bear squeeze on the futures market but there are still some large short positions in long gilt futures yet to be covered, suggesting both room for more technical gains but also continuing pessimism.

Mr Paul Temperton, chief gilt economist of Merrill Lynch, commented that the market often turned when the feeling of doom and gloom seemed universal. But he added that there were no convincing signs of a switch in direction yet.

Market activity peaked in mid-week. On Wednesday, the Prime Minister ruled out full membership of the European Monetary System until the economy was stronger and expressed her dislike of raising interest rates. As far as the foreign exchange market was concerned, that removed two of sterling's props. Mrs Thatcher's apparent admission that the economy was currently too weak for entry, not the kind of thing one would associate with a leader bidding for another term of office, was not taken well.

The Chancellor's reiteration in evidence to the Treasury and Civil Service select committee on Thursday that he did not want sterling to fall further and his suggestion that Britain's borrowing costs would likely stay higher than those of its overseas competitors for some time did much to limit the damage of Mrs Thatcher's remarks.

But as long as the market perceives that there is at least a difference in emphasis on this topic between Mrs Thatcher and her Chancellor, nervousness will run high.

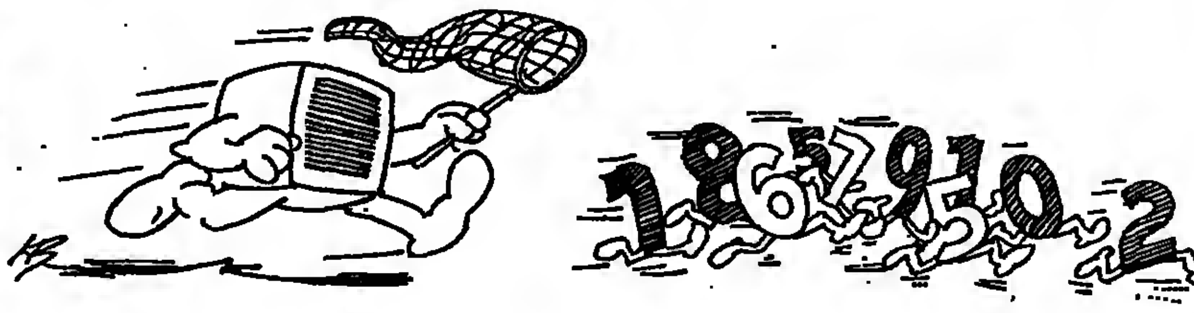
Another sterling prop had been kicked away on Thursday morning when the Daily Telegraph published a Gallup poll showing Labour back in the lead by 3½ points. Election fever means opinion polls are as much a market factor as anything else, it seems, and Friday's Marplan poll in the Today newspaper will be worth watching out for.

A key factor this week will be sterling's reaction to tomorrow's trade and current account figures for October.

The City consensus is that October will see deficits of around £800m on visible trade and £200m on the current account, a modest improvement on September's £877m and £277m shortfalls. But forecasts range widely. While one house is forecasting a visible trade deficit of only around £500m and a current account surplus of £100m, several others are looking for deficits of over £900m on trade and more than £300m on the current account.

Janet Bush

With 27 gilt market makers how will you find the best prices?



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UK COMPANY NEWS

Christopher Parkes speaks to Woolworth's new chief executive

A sackful of goodies in store

TO THE casual observer the process of putting the wonder back into Woolies appears to have stopped. Indeed, the store refurbishment programme has been halted but it will start again as soon as the Christmas shopping splurge subsides.

The last thing Mr Malcolm Parkinson wants now is troupes of plasterers and shopfitters crawling around his High Street empire while the customers struggle to off-load their disposable incomes into his cash registers.

However, the work continues behind the scenes. The newly-installed chief executive of F. W. Woolworth, the High Street variety store business of Woolworth Holdings, is trying to explain above the racket from a hammer drill boring into the wall somewhere behind his head.

There is a strong smell of fresh paint hanging around his office in London's Marylebone Road, an aura of gleeful optimism and even a little arrogance.

On the chain's strength in confectionery: "Between now and December we will sell 8,000 tonnes of sweets. If we stopped selling Cadbury brands, I don't suppose Cadburys could sustain itself."

On the competition: "Toys 'R' Us are not all that great."

On a major supplier: "I demand, and if I don't get what I demand, then I get upset. They are doing precisely what we want."

All suppliers have been summoned to a conference in Birmingham next week to hear what Parkinson wants. "We haven't always been absolutely adamant," he admits.

Fresh from the fray and the group's successful defence against takeover by Dixons, Parkinson may be forgiven his confident air, especially in the light of the group's recent unveiling of doubled interim profits. Woolworth Holdings also includes B&Q do-it-yourself outlets and Comet in electrical appliances.

Mr Malcolm Parkinson, chief executive of F. W. Woolworth

Parkinson has ambitious plans:

- A chain of High Street children's shops, to be launched next spring under the Kids Store fascia.
- A clutch of new Woolworths stores. "There are 41 more locations we want to enter. There are towns we are not in and towns where we need to move up or down the High Street. We want 100 per cent prime sites," he declares. "There will be no more exits from towns. Those days are gone."
- Acceleration of the programme to refurbish old stores and bring in the Focus merchandising programme. This policy of concentrating on six main areas—children, gifts and sweets, entertainment, home and garden, kitchen and cosmetics—will have transformed about 150 of the 800 plus stores in the chain by the end of the financial year on February 1. The previous target was 126.

Parkinson expects the rest of the chain at least to have been laid out along the new lines and fitted with new fascias by the end of July.

The driving force, he says, derives from a wholesale cultural change which has overtaken the fusty old High Street business. Since his elevation from being marketing director at B&Q and the appointment of Mr Derek Pretty, formerly group finance director ("He wants to play shop with me") as his deputy, the F. W. Woolworth board has been completely restructured.

"With up to 43,000 people on the staff, we need a strong lead from the top."

Central decisions on merchandising had been taken. The shops, he insists, had always been in the right place, despite the vogue for out-of-town shopping. "And we had the right staff. They just needed remotivating."

First came the surgery necessary to defeat the ossification which had paralysed the old Woolies. District and regional management was restructured. The 70 district managers are now shuffled regularly around the country so no one waxes complacent. Superstores and High Street outlets have been melded into one coherent chain. "Now any manager is only one stage away from the managing director," he says.

"We have set up a communications system so we can hear from everyone in the stores." Access is easy for the lowliest. Every month every senior executive is sent on a store visit. Parkinson himself had been to three in the previous two days.

"There is nothing more sobering for a buyer than to see the error of his ways," he grins.

The customers, too, need remotivating. New ones have to be attracted. Early experience with the Focus policy showed store sales increases of almost 30 per cent, and Parkinson is determined not to let that slip.

Woolworths started national advertising again earlier this month after an 18-month gap, and it will begin the New Year with the reintroduction of the grand January sale. Shops will open at 10 am, he has ruled, clearly hoping for long queues. "We need to inject more fun and excitement," he says. "After all, there's very little in the shops that people actually need."

Barclays expected to reduce SA stake again

Barclays National Bank, South Africa's biggest banking group, is to make an announcement about its future in Johannesburg early today. It is understood that the statement will have an impact on Barclays, the UK group which owns 40 per cent of Barclay National's equity.

Speculation in London last night centred on the possibility that the UK bank might be reducing further its share in the South African group. In summer 1985, Barclays scaled down its holding from 50 per cent to a minority stake.

Sir Timothy Bevan, the UK group's chairman, told shareholders earlier this year that its stake could be expected to decrease again.

Barclays National could also be about to change its name. When it ceased to be a subsidiary of the London bank, it was agreed that it would stop using the Barclays title within the next few years.

Barclays National hired a consultancy firm to advise on a new corporate identity some months ago.

Rodime tax

Rodime, the hard disc manufacturer, has clarified its tax payment position because of a credit of £1.14m in the final quarter for the year to September, the tax position for the 12 months is a credit of £828,000 compared with a charge of £6.84m in 1984-85.

As a result the loss per share for 1985-86 is 10.3p and not 39.2p loss per share reported due to a communications error.

Simon Engineering fires opening salvo against Valuedale

BY CHARLES BATCHELOR

Simon Engineering, which is facing an unusual partial takeover bid in the form of a management "buy-in," has fired a defensive salvo before the bidding consortium has put together its formal offer document.

The Valuedale consortium, headed by Mr Philip Ling, managing director of the Haden engineering group, announced plans for a £173m "buy-in" of Simon on November 7. If the consortium won control and improved the company's performance, it would take a 38 per cent stake in Simon's enlarged equity.

In a letter to shareholders posted over the weekend Mr Harry Harrison, Simon chairman, warned investors against "confusing financial opportunism with sound progressive management."

Simon had a 14-year record of uninterrupted profit growth, he said. It had developed a clear and sound structure focused on three complementary groups of business—contracting, specialised equipment and industrial services.

He accused Valuedale of being a "one-man band," and contrasted it with Simon where senior management changes had already been implemented. Mr Roy Roberts, managing director of GKN, will become chairman next June and Mr Tim Leader, formerly with Babcock International was appointed chief executive in October 1985.

Valuedale would be entitled to take up its 38 per cent stake in Simon immediately after its offer succeeded, he said. This conflicted with Valuedale's stated plan not to take up shares until it had achieved a 60 per cent increase in Simon's share price.

The imposition of massive borrowings would seriously inhibit Simon's ability to obtain new business, Mr Harrison warned.

Valuedale has the backing of several institutions led by Schroder Ventures. The consortium includes Citicorp Venture Capital, Globe Investment Trust and Electra Investment Trust.

It is offering 180p in cash and one of its own shares, valued notionally at 100p for each Simon share. Simon's shares closed 9p up on Friday at 328p.

Bardon Hill up £0.53m midway

Bardon Hill, a leading supplier of specialist aggregates, returned a pre-tax profit up from £2.3m to £2.83m in the six months ended September 30 1986.

On the rest of the year, Mr Peter Tom, chairman, said the outlook was encouraging, although trading conditions remained competitive. The group continued to benefit from significant improvements in productivity.

A market for the company's shares is made by Granville.

SHARE STAKES

CHANGES IN company share stakes announced over the past week include:

Goldsmith's Group: Kennedy Brookes and associates have acquired 975,000 ordinary (6.43 per cent).

Storehouse: On November 13 Lady Caroline Conran sold 250,000 ordinary at 313p.

Kwik-Fit (Tyres and Exhausts) Holdings. Chairman Mr T. Farmer, purchased 50,000 ordinary at 88p.

Hall Engineering (Holdings). Chairman Mr R. Hall purchased on November 17, 25,000 ordinary

Spong Holdings. Director Mr L. Kaye made the following disposals of ordinary shares. 100,000 at 17p non-beneficially on November 17 and on November 18 200,000 at 16½p beneficially.

Sims hit by increased marketing expenditure

Sims Catering Butchers, the USM-quoted supplier of meat, poultry and game to caterers in southern England, has reported a fall from £328,000 to £254,000 in pre-tax profits for the six months to September 30 1986.

The decline in profits was mainly due to increased marketing expenditure aimed at securing new business in the catering trade, the results of which did not come through in the first half, together with a dilution in margins as a result of dull trading in the first quarter.

Group turnover in the period increased by 50 per cent, from £4.18m to £6.29m, principally reflecting the purchase on April 1 of the previously loss-making W. D. Brabin. Strict controls introduced at that company, the board stated, have resulted in a small contribution to group profits at the half-year and further improvement is anticipated in the second half.

The board said that the current half-year had started well and significant new contracts had been obtained. It was anticipated that there would be a "considerable" increase in performance in the second half.

New potential opportunities for the group's expanded resources were under assessment and the board was optimistic for the future.

Hartons

Of the 5.43m Hartons Group 7 per cent convertible cumulative redeemable preference shares provisionally allotted by way of rights, some 4.06m or 74.8 per cent, were taken up.

The balance of 1.37m shares were sold in the market fully paid at a price of £1 per convertible share.

FT Share Information

The following securities have been added to the Share *Information Service.*

Eve Construction (Section: Buildings).

Marlborough Technical Management (Chemicals).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Assoc Paper Inds	Dec 11	Final 4.0
BOC	Dec 4	Final 5.63
*BT	Nov 27	Interim 3.0
*BPB Inds	Nov 27	Interim 3.6
*Bass	Dec 4	Final 11.0
Bassett	Nov 26	Interim 1.78
Charter Cons.	Dec 11	Interim 3.75
Chrysalis	Dec 5	Final 3.95
*Courtaulds	Nov 26	Interim 1.76
*Dawson Intl	Nov 27	Interim 1.7
Dee Corp.	Dec 5	Interim 2.8
Dobson Park	Dec 9	Final 3.31
*EMAP	Nov 25	Interim 1.2
*English China Clays	Dec 15	Final 7.0
*Fenner (J. H.)	Nov 25	Final 3.0
*Ferranti	Nov 28	Interim 0.55
GEC	Dec 3	Interim 1.4
Granada	Dec 11	Final 4.57
*Grand Metropolitan	Dec 18	Final 6.0
*Greenall Whitley	Dec 8	Final 2.863
GUS	Dec 12	Interim 7.0
Greycoat	Dec 12	Interim 0.95
*Hall (M.)	Nov 27	Interim 1.5
*Hanson Trust	Dec 4	Final 2.85
Heath (C. E.)	Nov 18	Interim 7.0
*Johnson Matthey	Dec 4	Interim 0.5
*Kwick Save	Nov 25	Final 3.4
London Merchant Securities	Dec 19	Interim 0.75
*MEPC	Nov 28	Final 8.0
*Mayer Intl	Dec 9	Interim 1.25
*Mercury Intl	Nov 27	Interim due
Norcros	Dec 10	Interim 2.6
*Northern Foods	Dec 3	Interim 4.25
*Pilkington Bros.	Dec 11	Interim 6.0
Polly Peck	Dec 2	Final 3.75
*Powell Duffryn	Nov 26	Interim 4.5
RHP	Dec 11	Final 2.8
Rothschild (J.)	Dec 17	Interim 2.2
Royal Bank Scotland	Nov 28	Final 6.0
*Saatchi and Saatchi	Dec 4	Final 8.71
*Sedgwick	Nov 27	Interim due
Siebe	Dec 16	Interim 4.05
*600 Group	Dec 4	Interim 2.34
Smith and Nephew	Dec 5	Interim 1.4
Stakis	Dec 11	Final 0.6
Tate and Lyle	Dec 11	Final 14.5
Trafalgar House	Dec 2	Final 6.1
*Unigate	Nov 24	Interim 3.45
*Vaux	Dec 9	Final 7.321
Whessoe	Dec 12	Final 3.0
Wolverhampton and Dudley Brew.	Dec 9	Interim 8.7

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

COMPANY NEWS IN BRIEF

BOC GROUP—A £128m write-down of assets in the graphite electrode business was announced to shareholders on August 7, and it has now been decided that this write-down will be shown in the consolidated profit and loss account for the year to September 30 1986 as an exceptional item. The effect of the write-down will be a reduction in tangible assets and shareholders' funds.

WILLIAM BAIRD: Company has acquired Robenau, a company marketing and distributing toys, and Landyard Investments, together with the associated business of Matelot, which supplies branded and other clothing. Price paid for Robenau was £1.3m, satisfied by the allotment of 111,333 new ordinary and the balance of £900,000 in cash. A further £500,000 is payable on a profit-related basis. Landyard and Matelot were acquired for £400,000 cash.

SALE TILNEY has agreed to purchase Wallace & Hughes for a consideration of £406,503.

THE KUWAIT Investment Office has revealed a 7.7 per cent stake in Hillsdown Holdings, the acquisitive foods group. KIO has an interest in 23.997m shares.

REDIMAIR (industrial ovens): company has purchased the goodwill, designs and stocks relating to AEW of Andover, which has ceased to trade.

WALKER AND STAFF Holdings (distributor of valve and pipework equipment): Turnover £2.67m (£2.54m) and pre-tax profit £147,000 (£108,000) for six months to September 30 1986. Tax £51,000 (£43,000) for earnings per 5p share of 4.48p (3.04p).

FULCRUM INVESTMENT TRUST: Net asset value per income share 41.36p (41.31p) at October 31 1986. Net asset value per capital share 10.32, up from 7.49p. Second interim dividend in lieu of final comes to 3.6p, making 5.9p (5.6p) for year to end October.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Borland International, Chamberlain Phipps, Coated Electrodes International, Crown House, Harrisons Malaysian Plantations, Marshalls Halifax, Parkland Textile, Property Partnerships, Rexmore, Sarasota Technology, TR Technology Investment Trust, Unigate, Unilock.

FUTURE DATES

Interims—
Bristol Evening Post ... Dec 12
Buffelsfontein Gold Mining ... Dec 2
Bulmer and Hollensmire ... Nov 27
Havelock Europa ... Dec 10
Mercury International ... Nov 27
Millward Brown ... Nov 27
Mowlem Estates ... Dec 1
Platon International ... Dec 1
Rowlinson Securities ... Dec 3
Sedgwick ... Nov 27
Toothill (R. W.) ... Dec 8
Zygal Dynamics ... Dec 1

Finals—
AE ... Dec 1
Beatrix Mines ... Dec 2
English China Clays ... Dec 15
Grootvlei Proprietary Mines ... Dec 2
Hanson Trust ... Dec 4
Marievale Consolidated Mines ... Dec 2
St Helena Gold Mines ... Dec 2
Saatchi and Saatchi ... Dec 4
Townsgate Securities ... Nov 25
West Rand Consolid. Mines ... Dec 2

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	YEAR ENDED 31 JULY 1986	YEAR ENDED 31 July 1985	% INCREASE
Turnover	£56,423,000	£35,488,000	+59%
Profit before taxation	£7,414,000	£5,168,000	+43%
Profit after taxation	£5,948,000	£3,335,000	+78%
Earnings per share	14.80p	10.54p	+40%
Dividend net per share	5.0p	4.0p	+25%

Attwoods plc is the parent company of a group of companies engaged in the waste management and quarrying industries, with operations in the United Kingdom and the United States.

Copies of the Report and Accounts are available from: The Secretary, Attwoods plc, The Pickeridge, Stoke Common Road, Fulmer, Bucks SL3 6HA.

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—	Ass. Brit. Ind. CULS	147	+6	10.0	6.8	—
975	Armitage and Rhodes	39xd	−1	4.2	10.8	6.5
6,382	BBB Design Group (USM)	85	−1	1.4	2.2	15.5
25,360	Bardon Hill Group	204	+1	4.6	2.3	22.2
5,674	Bray Technologies	62	+1	4.3	4.7	10.9
465	CCL Group Ordinary	130	+6	2.9	2.2	9.2
1,339	CCL Group 11pc Conv. Pf.	107	—	15.7	14.7	—
15,417	Carborundum Ordinary	257xd	+2	8.1	3.5	12.4
661	Carborundum 7.5pc Pf.	83	—	10.7	11.5	—
3,176	Frederick Parker Group	22	−0½	—	—	—
1,661	George Blair	50	—	3.8	4.4	2.3
3,816	Ind. Precision Castings	94xd	+1	3.0	6.7	8.4
12,286	Isis Group	154	+2	16.3	11.8	8.5
6,821	Jackson Group	126xd	—	5.1	4.8	8.5
61,270	James Burrough	365	−1	17.0	4.6	10.3
3,267	James Burrough 9pc Pf.	93	−1	12.9	13.8	—
81,602	Multihouse NV (AmstSE)	780	+30	—	—	41.4
5,602	Record Ridgway Ordinary	374	−3	[illegible]	[illegible]	6.7
2,348	Record Ridgway 10pc Pf.	87	—	14.1	16.2	—
867	Robert Jenkins	85	—	—	—	3.7
1,850	Scruttons "A"	80	—	—	—	—
3,172	Torday and Carlisle	130	+2	6.7	4.4	7.9
1,564	Travlen Holdings	345	−6	7.8	2.3	7.2
14,400	Unilock Holdings (SE)	74	—	2.6	3.8	13.5
28,189	Walter Alexander	107	—	8.0	4.9	8.7
4,596	W. S. Yeates	197	—	17.4	8.8	18.7
3,943	West Yorks. Ind. Hosp. (USM)	98	−2	5.8	6.0	13.3

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24 November 1986

FINANCIAL TIMES SURVEY

Monday November 24 1986

Management Training and Education

Management and the people being managed share a common purpose in making sure operations are conducted efficiently but a wide gap exists between them on how best to attain the objective

The acid test ahead

Survey written by Michael Dixon Education Correspondent

WHAT ARE the main nbstacles that get in the way of your work? When that question was put to office and shopfloor staff by a British employment agency not long ago, onc woman produced a reply worthy of an honoured place in the world's dictionaries of quotations.

"The biggest problem I have come across," she said, "is managers."

Her answer gives a guiding light for any discussion of how best to educate and train people to manage. For she provided the nnh of a practical definition of what managers actually do.

Such definitions are important even though they are rarely mentioned by eminent figures in government and other lofty places who pronounce on management education and training. When spoken of on high, those processes tend to be portrayed as blessings in their own right which cannot fail to benefit anyone whose job is to manage.

What happens in reality is different, as many executives have discovered by, at best, useless experience.

The fact that certain processes have the name "management education and training" which in theory means something necessarily good, does not guarantee that they will be good in practice. While much of what goes on under that name is beneficial, a good deal more of it is a waste of time. Nor is it beyond possibility that some is actively harmful.

The same applies to management itself, of course, otherwise there would be no need for management education and training. The only sensible test of whether managerial activity or training and education for it are worthwhile is whether they improve the effectiveness of people in their work, and not just those whose work is managing.

Hence the importance of the anonymous woman's identification of her biggest problem. Her words represent a view of managerial activity from the standpoint of the direct consumer: someone being managed. In her view, evidently, what managers actually dn is "hinder other people from getting things done."

Her definition from the consumers' side contrasts somewhat with the one preferred by managers nn the suppliers side of the deal. They most often define their activity as: "getting things done through other people."

Although the two sides' views are not always so starkly opposed, there is usually an unproductive distance between them.

It is of course doubtful that they either could or should be in complete accord about the effect of management. The most important judges of managerial performance are not the people being managed but the organisation's customers and owners, and the manager's first task is or at least should be to ensure that their interests take precedence over anyone else's. But three things still appear certain.

The first is that only good could come of narrowing the gap between the views of the direct consumers and gunnliers of management to the minimum distance commensurate with good service to market and ownership. The second is that the task of narrowing the gap belongs primarily to the suppliers' side. The third is that tha extent to which managers are aided in that task by management education and training is an important measure of those processes' worth.

An indication that no single kind of ednication or training could suffice by itself lies in the fact that the gap is far from standard. There are variances in different subordinates' perceptions of the same manager as well as in the ways different managers are aeen by their staff at large.

The gap also appears to vary in aggregate terms from one organisation tn another, between different sectors of activity, and even with country. Moreover, numerous people seem to believe, although without hard evidence to confirm it, that Britain suffers on the whole from a wider gulf than do most competing nations.

Why that may be so has been the topic of many learned theories. And while they tend to agree that the broad answer could be stated as "snobbery," they usually differ in their explanations of how it came about.

One of the theories is that a so-called anti-industrial culture pervaded the heights of British society in the late 18th and 19th centuries. Consequently the country's best regarded and most ednicated citizens spurned the very idea of entering industry and commerce even as managers.

It is an explanation which has enjoyed much vogue, especially among today's best regarded and most educated citizens of middling and older ages. They too mostly kept aloof from directly managing wealth-generating industry and commerce, preferring the professions, Civil Service, academia, the media, racehorse-breeding, politics and such. But, presumably unlike their forebears, they at least now feel bad at having let the wealth-generating sector down.

Few people could deny that pockets of that kind of attitude persist among managers, and perhaps more so in Britain than is usual elsewhere.

It was an attitude which worked pretty well in countries that were able to rely heavily for their living on sales of mass-produced goods of middling quality under conditions which did not require basic designs to be changed frequently. But those days bave been consigned to the history books — particularly by the Japanese who, by comparison with most western countries, seem largely to generate a better quality and more committed performance from their workforces as a whole.

One reason may be that their managements, unlike many in other countries, do not proceed on the assumption that their nrganisations have to be "machines designed by geniuses to be run hy idiots."

They divide the work between higher and lower levels of job. But they seem less inclined than the British, at least, to treat the people working at the different levels as superior and inferior human beings, of whom the lower orders cannot be trusted to exercise initiative prodnctively and mnst be told precisely what to do and how, and be watched closely while they are doing it.

That in turn may explain two common conclusions which numerons, albeit still not enough, Western top managers have drawn from the Japanese successes. One is that even to survive for much longer their organisations must become more innovative and quality-centred as well as more sensitive to customers' wants.

The other is that those changes can be achieved only by making far better and wider use of the individual skills, talents and ideas of all ranks of employees.

Consequently many of those wideawake top executives seem to have decided that the job of managing ought to be redefined. Its prime concern should no longer be masterminding and administering a system of rules and procedures. Management should first and foremost give leadership to a workforce in providing service to customers.

Such leedership cannot be exercised by standing aloof from the work of making and selling trying to think out the right decision on the basis of information presented in words and numbers, and by applying the theories of economics and the like.

While intellectual knowledge and skill are more than ever important to good management, amid the change now occurring they are no substitute for ability to perceive with one's own senses what of relevance and potential use is happening in the world.

An executive's own perceptions can only be improved if she or he is sensitive to the insights and individual abilities of workers more directly serving customers by making, selling and delivering.

The problem, of course, is how to change from a system-imposing to the leadership-style of management. It is a question that will be discussed in this survey. In the meantime, the short answer is that how best to tackle such a change will depend on the organisation's circumstances.

So will the part that can most usefully be played by education and training programmes. Nevertheless there are a few provisos which would seem to be generally applicable.

First, training and education for management cannot be fully effective until what managers actually do can be described in terms sufficiently accurate, detailed and widely used for edocators, trainers and managers all alike to share a

Continued on page 5

CONTENTS

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Training/Performance

A link that has never been tested

ANYONE SEEKING an apt setting for discussion of UK companies' attitudes to management education and training could choose nothing better than Old Tyme Music Hall. Or so it appears, et least, from one of the deepest research studies yet made of the subject.

The pilot survey, which covered 2,724 organisations and was made at the end of last year, was completed recently by Bath University's school of management. The researchers' report is therefore not altogether knockabout comedy.

But some of their question-and-answer exchanges with company executives read rather like a classic vaudeville cross-talk act of the sort more mature readers will know of old. For the benefit of younger people, I had better explain that such ects consist of e straight-man (who here speaks in *italics*) whose attempts to say something serious are interrupted by e succession of grotesque figures leaping onto the stage. For example:

"Thank you ladies and gentlemen, we are here to find out why so many British companies do no formal management education and training . . .

"I say, I say, I say—our company already know everything that is necessary.

"You don't wish to learn then, kindly leave the stage.

"I say, I say, I say—my company is growing too fast to organise.

"If you'll be good enough to tell me its name, sir, I'll make sure to sell my shares.

"I say, I say, I say—I've never really thought about it.

"Congratulations, sir, at least you're aware of your ignorance. Take a bow!"

Any reader who suspects thai I heve invented the substance of those "I say, I say" interjections, is wrong. All three of them quote statements made with every appearance of seriousness by senior managers of companies classed by the study as providing no formal training or education programmes for their managers.

In deciding whether or not a company did or did not provide such programmes, the researchers used e measure that was fairly easily satisfied. "It requires only one manager in a company to undertake, for example, a single short internal or external course for e company to be considered 'a trainer'," say Professor Iain Mangham and Dr M. S. Silver, the euthors of the survey report. As a result, the study gives no account of the intensity of any company'e training effort in terms of how much time its management spent on courses, or of their quality.

But judged by even that distinctly minimum standard, rather more than half the organisations covered by the survey fell short.

Some details ebout the "non-training" faction are given in the eccompanying chart.

What, on the other hand, were the characteristics of the organisations which *did* provide some training and educetion for their manegers?

The only industries in which the companies doing so appreciebly outnumbered the non-trainers were food, drink and tobacco, and chemicals manufacturing. For the rest, there was little variance. And in terms of numbers employed—as can of course be inferred from the chart—the proportion of trainers increased with size of payroll.

Taking the training companies of all sizes together, 36 per cent of their junior managers (excluding foremen and similar supervisory staff) were sent on programmes. The same epplied to 33 per cent of middle managers. But management training was thought necessary for *only 22 per cent of senior* executives—a proportion which fell to a mere 8 per cent amoog the organisations with 1,000 or more employees.

The average amount which the companies providing training spent on management programmes was estimated at 1.8 ner cent of their labour costs. *The comparable spending by* IBM is reputedly 11 per cent. In terms of expenditure per manager employed, the medium sum laid out in the financial year immedietely before the survey was mede was £600.

Since the fee for a one-day management seminar in London about the same time was ebout £170, the stuoy report comments, e medium outlay of £600 by no means renreseots an excessive amount of training.

The key question, now we know some of the characteristics both of the trainers and of the non-trainers, is which of the two sets of companies performed better as measured by profitability and productivity? And here I only wish thet I could hear what answers readers might guess before they heer the result reported by the researchers.

It is: "We were unable to demonstrate any well-defined link between the performance of a company . . . and the proportion of menegers trained."

So I fear we just do not know wbether management education and training works. As the report adds: "The link between performance end training has been assumed, never tested. This study is, to the euthors' knowledge, the first attempt to test hypotheses about training and performance in e rigorous manner."

The fact that no link was found by the researchers surely inserts e loud "So what?" behind their comment thet the study justified little confidence that high technology indnstries are making np for the executive-training deficiences of older kinds.

The same fact also implies a certain intellectual superficiality *on the part of ministers* and other eminences wbo lay blame for Britain's laggardly economic nerformance on its companies' low "investment" in vacuously defined management education and training.

However, the lack of e link between company performance and such ectivities in general does not mean that there is no company-pay off from investment in any particular kind of training and education for managers et all.

As the report points out too, what skills an executive needs vary immensely. They will differ according to the type of managerial job heing done. Nor *will they* be *identical* for managerial jobs of the same type being done in different organisations. Moreover, there will be variances in the skills demanded by a particular type of job in any one company at different stages of its development.

"A manager in a service in*dustry subject* to *strong* competition may be required to display very different competencies to his predecessors who started up the company in the days of relatively weak competition," say the report's authors.

So if an economy is to benefit from outlay on management programmes, the money needs to be channelled solely to those which can be seen to be of an appropriate kind and quality.

But here again the study hit a blockage. It emerged when the training specialists in the companies providing programmes were asked what skills were most important in their managers. It turned out that they could not answer with any useful precision.

"Almost all came up with portmanteau terms such as 'good communicator,' 'must have leadership skills,' and the like," the report explains. "When invited to unpack these terms, most proved unable or unwilling to do so."

What is more, Professor *Mangham and Dr Silver* suggest that teachers of management even on the top perches of the academic pecking order are in the same tongue-tied predicament. For the report concludes that there exists no language detailed and accurate enough to serve as an adequate medium for describing the real skills of management, let alone to use as a basis for devising programmes guaranteed to develop the required abilities.

"More is probably known about the skills and habits of butterflies than the skills and habits of managers," the authors declare.

Since it is now 105 years since the founding in the US of the first university management school, it might seem incredible that such a fundamental gap in our knowledge about management has only just been spotted. But the delay is very understandable, as a further exchange between the cross-talking would-be comedians might illustrate. Let's have the *italics*-speaking straight-man back on stage:

"Ladies and gentlemen, we are here to find out why we have been talking about management for so long without realising we had no way of talking about it accurately . . ."

"I say, I say, I say—what couldn't you miss if it wasn't there?"

"That's easy: something you didn't know you'd never had."

Until the researchers pinpointed the language deficiency — or, in their terms, "conceptual poverty" — we were not aware that what we believed was knowledge about the job of managing was in reality essentially ignorance about it. As Confucius might have said: whereas before we did not know we didn't know, we now at least know that we don't.

The fact that we lack knowledge *about* a job does not of course prevent some of us from knowing *how* to do it. Nor does the lack stop the know-how from being passed on by show-how processes of the apprenticeship kind.

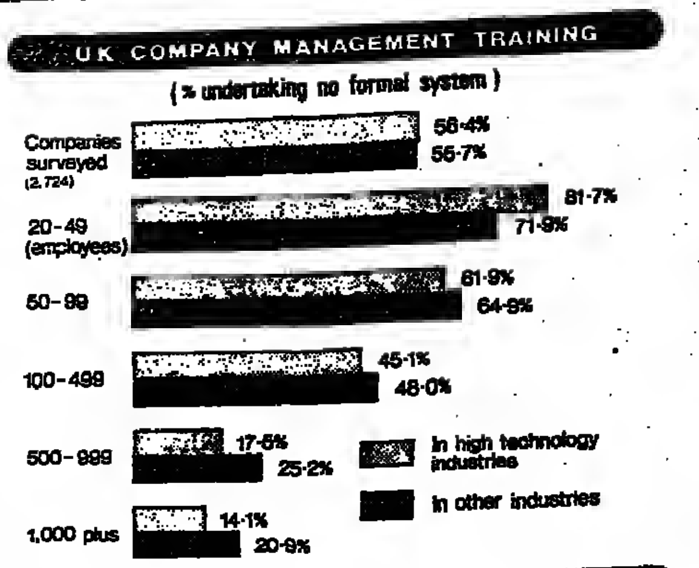
But if the full weight of the more economical say-how teaching of colleges, universities and suchlike is to be lent to improving the practical abilities of management, the missing language needs to be developed as a matter of urgency.

Otherwise, the report says, not only managers but also their tutors will be "prey to every fashion and gimmick that is presented."

Perhaps ministers and officials should stop seeking ringing phrases with which to exhort companies to spend more on management education and training, and start finding some money to finance efforts to develop a reasonably realistic and commonly understandable language to describe what good managers do.

If there has ever been a case for government-funded research, that one is surely it.

UK COMPANY MANAGEMENT TRAINING
(% undertaking no formal system)



Reason given

	% of non-trainers giving reason
The company cannot spare the managers' time	23
The company's managers are already sufficiently qualified	19
On-the-job experience is all the company's managers need	16
The company cannot afford it	13
The managers themselves feel they cannot spare the time	6
The company thinks the expense is not justified	6
Courses suited to the company do not exist locally	5
The company does not know if suitable courses exist	3
Some other reason	9

Source: Management Training—context and practice. Economic and Social Research Council, London, 1986. £7.50.

The chart (left), breaks down the organisations concerned by the number of people they employed and also distinguishes those in high-technology areas from those in older industries. The chart shows that while the proportions of non-trainers in those two different industrial divisions are much the same overall, greater variances appear when the organisations are also broken down by numbers employed.

Among companies with between 20 and 49 people on the payroll (companies with fewer than 20 were excluded from the survey), the newer industries have the greater share of employers which shun management education and training. Perhaps fortunately, that position is reversed among the bigger employers.

Even so, say Professor Mangham and Dr Silver, the difference is far less pronounced than might have been expected. Moreover, it justifies "little confidence that the under-investment in training which appears to be a feature of the older technologies is likely to be remedied by those in the newer ones."

The chart also summarises the broad reasons which the non-trainers as a whole gave for their attitude. Which of the broad categories a particular company fell into was apparently decided by the researchers, because the actual explanations given by the organisations were in terms like those quoted in the cross-talk act (see text). "Our company already know everything that is necessary," for instance, could be fairly classified as "The company's managers are already sufficiently qualified." The outfit which was growing too fast to organise — a large knitwear manufacturer — was probably included in the 9 per cent giving "Some other reason."

Language

Ideas need words

"LET'S MAKE clear straight away that we're not saying there are no words at all for describing what managers do," said Professor Iain Mangham, in expanding on the survey report's contention that management educators and trainers lack a sufficiently accurate means of talking about what they are trying to teach.

"We're far from being without words altogether. If we're considering chiefs who have lately turned around companies, for example, we can say that one managerial decision they've made and carried out is to fire a lot of people and get better results out of those they have kept on.

"But suppose you are a teacher and are presented with people who do not know how to do that but need to learn it. You can hardly let them have company after company and go on firing and retaining people until they learn by experience to do it right.

"You need to give them clear ideas of the detailed steps the successful chiefs take in deciding who best to keep and fixing it so that they produce better results.

"It is at that sort of level of detail where we have no adequate vocabulary and grammar for communicating about effective management. I would take a small bet that the chiefs in question could not say what it was they did in terms that would enable anyone else to do it equally well."

Professor Mangham agrees that management is not the only process where teachers' efforts are badly hampered by language deficiency. The same applies to most activities requiring "intelligent doing" as distinct from abstract thinking alone.

For instance, the only commonly understood English terms for describing the prime skills of a machine-tool operator—an "eye" for the right cutting speed, a "feel" for the material being machined—say little about how the results are achieved.

Where management is concerned, academics have been so far content to explain the practitioners' activities by terms like "planning, organising, controlling." But researchers such as the Canadian Professor Henry Mintzberg have shown that those terms come nowhere near describing usefully the complexity of things managers do.

"Business schools' tendency has been to take what they've thought of as a higher perspective," Professor Mangham said. "The specialists in different academic subjects have looked at management and picked out of it things that are explainable in the vocabulary and grammar of their particular subject. But that approach does not seem to have helped practitioners much.

"We now have to find a way to get into managers' heads and come out with a model of what's going on there while they're working well.

"How to do it, we don't yet know. But I feel sure that whether further really practicable progress is to be made in management education is going to depend on us teachers listening to managers rather than the other way round."

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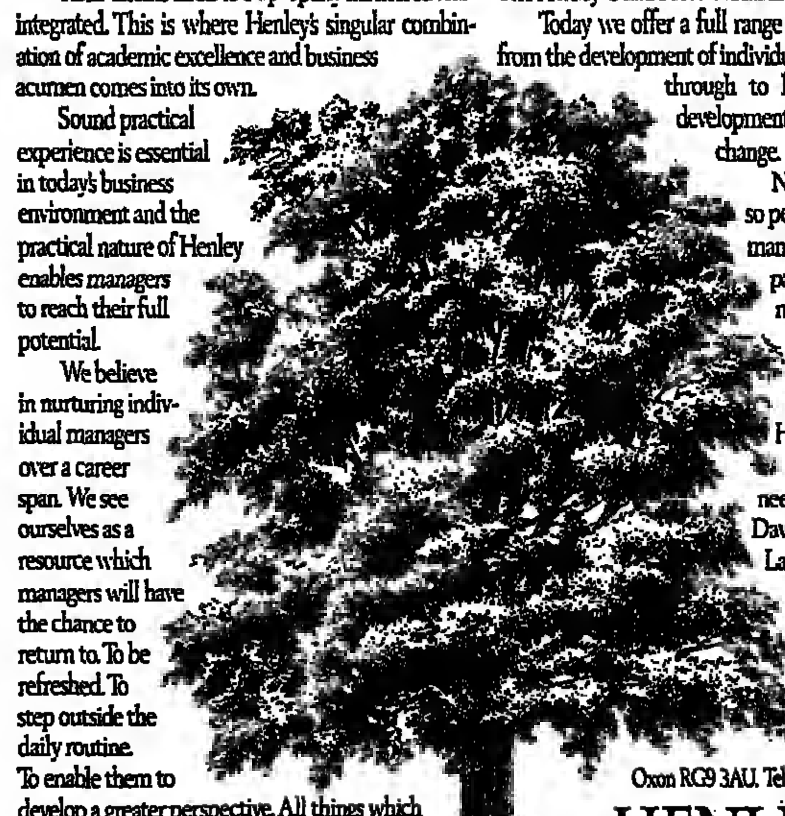

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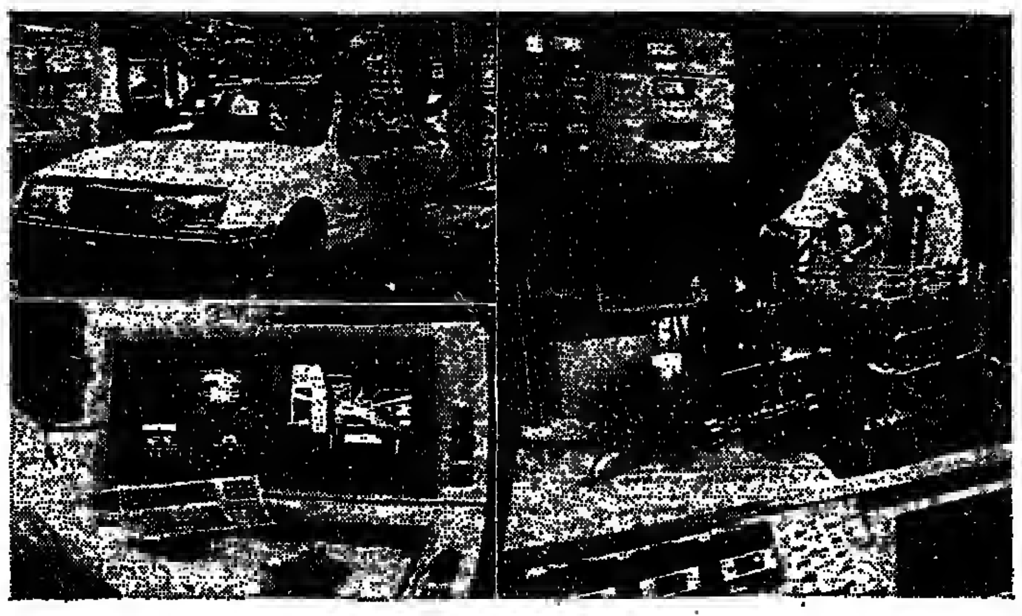

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Management Training and Education 3

Leadership

Visionaries move up in the boardroom

FROM THE shadows of a dark street springs a hulking man. Without a sound he wraps his hands round your throat and starts throttling the life from you. There is no signs of anyone else around. How do you stop him?

While the reason may not be apparent yet, the question is relevant to the attempts numerous companies are making to change from an administration-dominated style of management to a leadership-centred kind. Among the things the question of how to make that change has in common with the one about how to stop the throttling, is that verbal answers to them are readily available.

Stopping the strangler is easy. Put the palm of one hand on his chest and slide forward the foot on the same side of your body. Then push, swivelling head, shoulders and hips away from him. He will let go. You have opposed the power of most of your frame against just two hands, and virtually no one has the grip or length of arms to resist such pressure.

It is a self-defence skill that works. Sceptics can soon prove it by practising with a colleague. But no matter how much they do so, I am sad to say that if really attacked by an over-powering strangler, they would almost certainly forget the skill. It would be banished from their mind by the reality of the circumstances. I know it from experience (although mercifuly not with a serious attacker, merely an obsessive Judo teacher).

As organisations anxious to generate workforce-wide commitment have often found to their cost, the same problem applies to trying to get managers who have been mainly administrators beforehand, to learn the skills of being a leader.

The keen interest of a good many western top executives in developing those skills in their company may have begun as an urge to find a means of self-defence, not least against eastern competition. But it has become more than that.

With the advance of technology the efficacy of bureaucratic controls is being increasingly doubted by leaders of businesses, especially international companies. It is now fairly rare for a single production line to be capable of turning out goods that suit potential buyers the world over. There is a growing belief that it would be better to hand much more power of decision to managers of subsidiary operations close to the particular point of sale.

Since the subordinate managers' experience has been largely of working within relatively tight controls imposed from the company centre, however, they need to be prepared to operate more decisively. Hence the mounting interest in leadership training, which is frequently seen as a means by which businesses in the west may re-take the industrial and commercial offensive.

Although suppliers of training have responded with a great number and variety of courses, a lot of questions remain unanswered.

For one thing, nobody can say for sure what leadership is. By last year the number of would-be definitions offered by academics in the field was about 350, according to American management writers Warren Bennis and Burt Nanus*. Not one of them achieved the necessary combination of clarity and completeness.

Qoite rightly, the mere lack of a proper definition has not stopped companies from pursuing leadership skills and trainers from trying to impart them. Like the elephant cited by Keynes, the economist, leadership does not need to be definable to be nevertheless real and recognisable.

Influences on success
(Rating by UK top managers)

		Rating out of 100
1	Ability to work well with a wide variety of people	78
2	Early responsibility for important tasks	75
3	A need to achieve results	75
4	Leadership experiences early in career	74
5	Wide experience in many functions before age of 35	68
6	Ability to do deals and negotiate	66
7	Willingness to take risks	63
8	Ability to have more ideas than colleagues have	62
9	Having talents "stretched" by immediate bosses	60
10	Ability to change managerial style to suit occasion	59

The training on offer falls into two main types. One seeks to get people to acquire leadership mainly by telling them about it and having them discuss it. The other tries to gain the same end primarily through learning-by-doing, and is often centred on physically demanding outdoor exercises.

Among the "tellers," probably the most widely used way of tackling the issue is to present caricatures of the administration-emphasising kind of manager on the one hand and the leader on the other, and then list their respective distinguishing marks and characteristic actions.

For example, Dr John Nicholls, a British director of the Arlington Associates and Harbridge House consultancies, describes the administrator concerned essentially with maintaining and operating the internal system as the controller/manipulator. His term for the leader is the visionary/enabler.

Whereas the C/Ms' attitude towards their subordinates is marked by TDC or thinly disguised contempt, he suggests, the V/Es' mark is TLC or tender loving care. And Dr Nicholls goes on to draw a whole gamut of further distinctions between the two representative figures' typical attributes, actions and broadly stated abilities.

When it comes to pinpointing what might fairly be called a skill, such descriptions are less forthcoming. But that is quite usual when management is discussed — as is indicated by the accompanying table.

Taken from a study of chief executives in the UK by Professor Charles Margerison, who at the time worked at Cranfield Management School, the table ranks what they said were the most important influences behind their success. It is not until the sixth place in the ranking that there appears something which can be seen as a skill, and even then seen at best fuzzily.

Perhaps a better clue is provided by the previously mentioned American writers Bennis and Nanus. They say managers in the administrator mould "do things right." By contrast, "leaders do the right thing."

So the first focus of the leader's mind is not on problem-solving, but on finding what problem best to tackle in the first place, which in turn lays emphasis on the perceptiveness of the person's senses rather than his or her powers of reasoning.

The two Americans suggest that leaders need to be not only sharp in perceiving what is going on in the outside world but also highly aware of themselves. For instance, in their contacts with employees and so on they need to be aware whether their meaning is getting across and, if not, be able to find a better way of communicating it.

"The trouble is that top managers often think they've got skills like that already," says Professor Iain Mangham of Bath University. "Goodness knows how many company chiefs have told me one of their most vital skills is listening, then gone on over the next two hours to show they don't know what the word 'listening' means. How do you teach it to them, except by making them apprentices to someone who *really* listens?"

Like the strangle-stopping technique, it seems, the skills of percipience and self-awareness cannot be acquired just by the learning of verbal formulas plus desultory practice.

According to many accounts however, they can be imparted through learning - by - doing methods. One is the outdoor type of programme in which teams of managers tackle a complex task against time. They are watched by a trained observer who later leads discussions intended to bring home to the team members how they singly and jointly contributed to what went right or wrong — usually the latter.

For executives not up to climbing crags, swimming torrents and so on, there is also another kind of course which is often claimed to impart the skills concerned by more physically, although not psychologically, gentle indoor exercises. A user's view of both outdoor and indoor varieties is given in the other article on this page.

Many conventional academic teachers of management dismiss the growth of leadership courses as just another example of managers galloping in pursuit of a panacea. But the leadership faction reply with some justice that academic approaches have clearly failed to provide executives with the skills their companies' most want them to have.

The argument between the two factions on the supply side of training would therefore seem to be little more than two kettles calling one another black. Until more rigorous research has been possible into the real effects of their different approaches, no one can know which is the whiter.

Leaders. Harper and Row, New York, 1985. $6.95.

Vic Fowler

Allied Dunbar Assurance staff, Swindon, performing an exercise at the River Dart centre

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Building the team

Togetherness through outdoor games

A COMPANY does not absolutely have to be American owned to be already trying hard to become leadership-centred, of course. But US-headquartered groups appear in general to be further advanced in the process than others in the western world. They seem to be even more so when their business is producing and marketing electronics hardware and software.

One such company is Tektronix whose British base is at Marlow. Mr Peter Jones, the UK company's human resources manager, says the business is complex and innovative as well as competitive. There is a premium on fast, co-ordinated and sensitively appropriate action by the leaders and members of Tektronix UK's various interlocking teams.

"Given our situation, we think it's essential to provide good training not just in leadership but in teamworking too," he said. "And whila we use different types of programme for each of them, the two things overlap so that the teamworkers get involved in leading and the leadership people in following."

For the team-building activity, Tektronix uses outdoor programmes including those run by the River Dart Centre. It sends on them, whenever possible, the entire set of people working in a particular section of company activity, together with their immediate boss.

To judge by the comments of two members of the team selling design automation tools, who went through a fairly hairy few days at the Dart Centre this summer, the experience is productive. "We got a lot out of it, although precisely what is hard to pin-point," said the team's marketing chief Mr Peter McCormack. "Probably the most important thing was we got to know much more aboot—as well as to know—each other," said his colleague Mr Paul Gostick.

Mr McCormack added that it is not essential to be a devotee of rugged pursuits to profit from and even enjoy the exercises. Besides not being an outdoor type, he had 'flu while he was abseiling down cliffs and whatnot.

Where the leadership-concentrated training is concerned, the company sends one executive at a time and so far has sent only senior people. Mr Jones himself has been on the leadership development programme at Ashridge Management College, where the exercises involved mostly demand only psychological and metal stamina.

"It was interesting as well as rewarding to me because I was the only personnel specialist on the course. The rest were mainly line managers who although they had had technical kinds of training were mostly new to the behavioural kind. They got really immersed in it," he said.

In the Ashridge programme, those attending are given various group tasks. For example, a set are each given scrips which they are informed contain all the information needed to reach a right collective decision. "It's surprising how long it can take for anyone to twig that each script might be different," Peter Jooes added.

"The individual feedback at the end is intensive, and although the course lasts only days it can teach you a lot—particularly about yourself and how you come across to others. But I doubt that it would convert controller/manipulators into visionary/enablers. They'd probably just come back able to control and manipulate a bit better."

Rock climbing at Leigh Torr

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The new department of Business and Management was established in August through the merger of Business Studies and Management Science. The restructured Department runs a variety of undergraduate and postgraduate programmes and has the added attraction of having close links with the business community. Situated within the Department are The Institute of Retail Studies and The Scottish Enterprise Foundation.
The Institute is the leading European academic centre for research in the retail industry—currently one of the most dynamic as well as profitable business sectors throughout the industrialised world.
The Scottish Enterprise Foundation has as its objective the encouragement of entrepreneurship and the development of small business in Scotland. It runs a series of training programmes aimed at setting up and developing small businesses—for example, Graduate Enterprise, Strathclyde Enterprise Training Network, Research for Enterprise and conducts research in the small business field.

The new department has created the following new opportunities for staff.

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The support of Scottish Amicable has allowed the creation of this new chair in the Scottish Enterprise Foundation. The Foundation was set up in 1982 to stimulate enterprise education. The new professor would be expected to take a leadership role in its work. This would encompass both academic leadership and a central role in the management of the Foundation's affairs.
Candidates should have a record of achievement in enterprise education. He or she should seek to play a role in policy formulation on a national and local level besides maintaining close links with the private sector, especially sponsors.
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Senior Research Fellow
The research activities of the Foundation have grown rapidly. This post has been created to provide leadership across the range of projects presently being undertaken. This is expected to encompass both long term academic projects such as the Leverhulme study of Graduate career aspirations and specific contact research.
Applicants should have several years research experience and a sound track record in obtaining and effectively managing research projects.
The appointment will be for two years in the first instance. It will be in the salary range £11,790-£15,700.

Lectureships
The overall expansion of the Department's activities has created the opportunity to appoint additional lectureships. These can be in any aspect of small business education, marketing, retailing, general management. Posts will be for three years in the first instance on the range of £8,020-£15,700.
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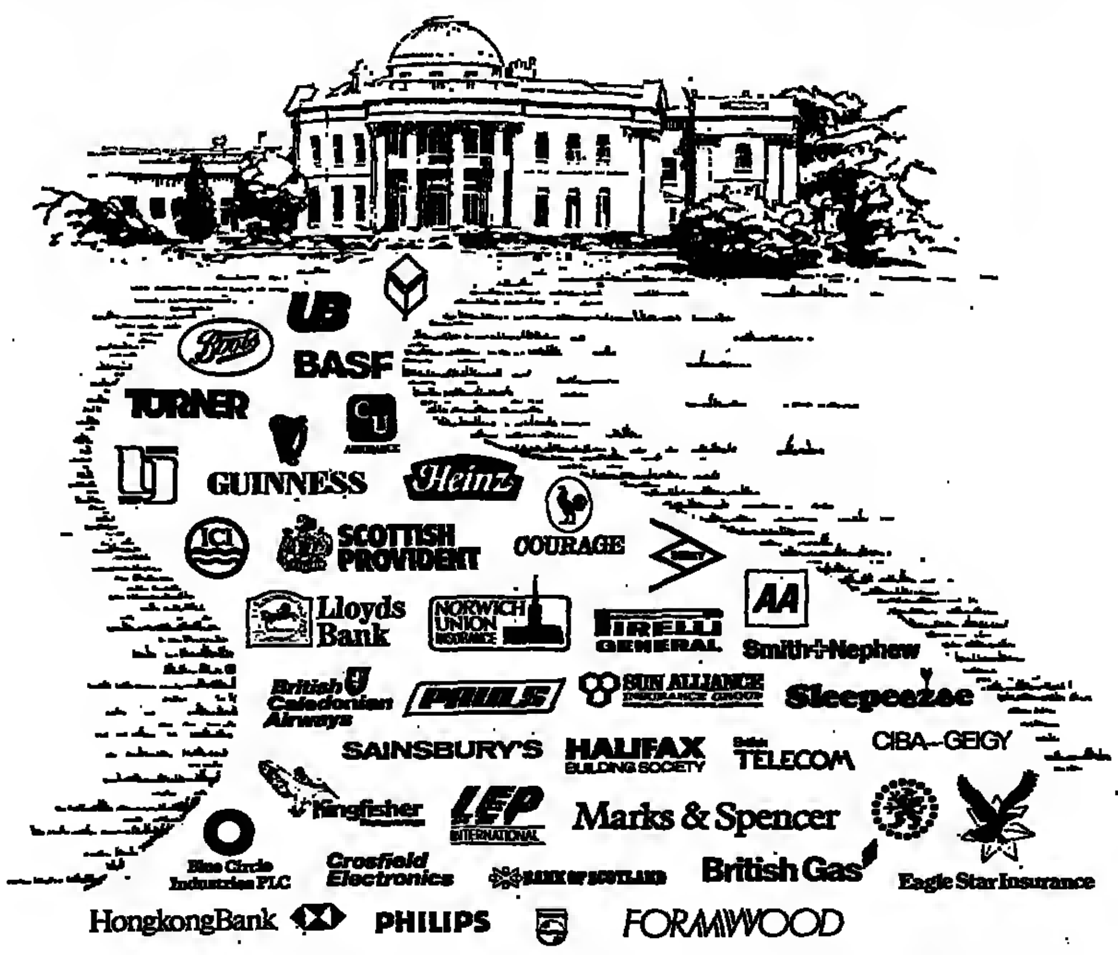

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Case Study/Jaguar Cars

Keeping an open road to the top

Ken Edwards, personnel director and company secretary of Jaguar Cars (left) and Paul Morton, manager of training with the newly styled XJ6

"WHEN THIS company was privatised five years back we on the board had to make 40 per cent of the workforce redundant just to enable the other 60 per cent of jobs to survive," said Mr Ken Edwards, personnel director and company secretary of Jaguar Cars.

"It made us feel unclean, and we became determined that it shouldn't have to happen again. We decided that one of our jobs as top management was to see that anyone who had or got a job with us and did it well would be able to look forward to a secure and decently paid working life."

It was not long afterwards, he added in his quiet voice, that Sir John Egan, Jaguar's chief and his immediate aides decided something further. It was that if any employees wanted to do their present job better, or equip themselves to do one that was better paid, it was also part of top management's responsibility to provide them with help.

"So you could call us a training company, although training's only a part of it," the personnel director went on. "And training for management is only a still smaller part.

"What managers can do off their own bats for this business isn't nearly enough to get it to where it potentially can be. It may be a cliché to say we're a people-developing company. But we not only mean it when we say it. We know that doing both is a damn sight easier than making what it means into a reality."

Although a self-confessed "training man for years and years," Mr Edwards insists there is nothing altruistic in Jaguar's belief that it has a duty to help its workers to improve their skills and pay. Nor is the aim just to raise the company's profits by fostering greater productivity in its present operations.

The belief is considered to follow logically from the systematic planning the board has done since it took over after privatisation in 1981. The directors decided that they would have to move through three stages, the first being to guarantee survival at least.

"That not just can but must be done largely by firm management handed down from the top, even though if it's to work the communication must be good enough to get everybody to realise that the whole lot of you have your backs against the wall. Only then are you going to get the response you need from the workforce."

Once survival seemed assured, the plan was to move to a stage of stabilisation coupled with the beginnings of a return to expansion. At that point, the personnel director explained, the company could be managed rather more democratically albeit still having to be driven mainly from the top.

Beyond the settling down and regaining of momentum, the plan was for a third stage which at the time the directors first talked of it made them suspect they might be hoping for too much. The stage would lay emphasis on generating the ideas as well as the skills for the business's continued growth by encouraging an upward flow of innovative energy from the bottom.

"We're only just moving into stage three, so we've not got there yet. All the same, I'd say we're as far on as any other UK company. The problem is that it is a quantum change because it demands a different kind of management to the sort which has gone on before.

"You made all the adjustments your experience has taught you to make—put all the mechanical things right, set up proper value engineering and whatnot. But enabling a business of 11,000 people as a whole to evolve on its own resources is something that I don't think any of us had the least experience of doing. One thing we knew for sure, though, was that we couldn't just order it to happen," Mr Edwards said.

"If we make it, we'll have a debt to Japan. John Egan wouldn't go there in search of ideas—he felt it was his job to find out and do what was needed right here on the spot—but some of us went. It struck us that the atmosphere tended to be different. It was as though nobody, neither the managements nor the workers themselves, expected them just to do a laid-down job. The expectation seemed to be that everybody would be learning as they went along.

"We came back and talked it over, and fairly soon had the idea that we ought to set up what we call an open learning programme for use by anyone we employ."

The programme's object is to make readily available to the workforce courses of study of any kind provided it can be seen as relevant to people's careers in the company and is in sufficient demand to be reasonably cost-effective. Wherever practicable the courses are run on the premises so that after finishing work, and a cup of tea and a biscuit provided by Jaguar, people can attend their chosen session and still be away by 7 pm.

Such studies include English for ethnic minorities, first aid, for the Ordinary- and Advanced-level examinations in addition to supervisory and management skills.

Besides the courses on the premises, the company runs part-time programmes for bachelor's and Master's degrees in engineering with Coventry Lanchester Polytechnic. More recently, however, it has broken new ground by taking a leading part in setting up with other local employers a part-time programme leading to the master's degree in business administration of Warwick University.

"Originally we'd thought of recruiting some MBA graduates from outside," the personnel director explained. "But Sir John and myself have been to business school, and when we thought about the sort of graduates coming from schools' full-time courses, we decided we had people here who were as good as that any day. So why not just enable them to take an MBA?"

The course based on Warwick University began in April and of its first 50 part-time students who expect to gain their degree in two years time, 10 are from Jaguar. Its quota for the second entry to the course next spring is a further 12.

"Choosing them will be hard. We're snowed under with applications. Our criteria for choosing are that the people should have shown already that they're good managers or be very near doing so.

"As long as they look capable of keeping up with the teaching, which is emphatically practical, academic qualifications are secondary. Our principle here is that opportunities aren't restricted to people who shone before they joined us. Anyone should be able to rise to the top."

Taking all the company's open learning activities together, about one in every four of the 11,000 employees are taking part.

"I don't think many UK companies could say they had as much of their workforce voluntarily interested in learning," said Mr Edwards.

The training effort—which, interpreted in its widest sense, costs Jaguar 2 per cent of total revenue—is only part of a network of activities to encourage employees to become involved in Jaguar's progress.

Details of the board's decisions and interests are regularly "cascaded" down through briefings for all ranks. Family events are staged frequently and the entire workforce receive incentive bonuses, averaging about 30 per cent of take-home pay.

There are also share-purchase schemes, including a save-as-you-earn system under which 36 per cent of the workforce are setting aside an average of £31 monthly in order to buy Jaguar's stock.

"That may be the most important thing in the end," the personnel director added. "The days are gone when the manager was Emperor and the managed were serfs. Everybody now knows here that the Emperor is the customer, and it seems that the managed are turning themselves into owners."

John Cleese presses the message home to James Bolam in the Video Arts training film The Unorganised Manager

Uses of Video

White knight of the industry

ONE OF Mr Anthony Jay's most effective training films is available for everyone to see on Tuesday nights. The co-author of Yes Minister and later Yes Prime Minister originally saw the series very much in the context of the training films he made for Video Arts. In this case, however, the trainees were ministers learning to cope with top civil servants with their own ideas on policy.

"Unlike our other training films we don't offer a solution to the problem," says Mr Jay who as well as being a successful television scriptwriter is chairman of Video Arts, the largest company offering training films and video to commerce and industry.

In-house video training, for ministers and everyone else, Mr Jay believes is "the white knight of the training industry in the letter years of the 20th century."

One of the most obvious advantages of video, Anthony Jay believes is that training can be effectively carried out on the job — avoiding the cost and disruption of sending staff away on courses. With the spread of home video recorders so that around 50 per cent of homes now have them it is possible for managers simply to give employees a copy to watch in their own time.

Video when properly done can offer trainees something that is vivid and memorable.

Video Arts, which makes its training films and video on risk capital and then sells or hires them out says it rarely spends less than £100,000 on a 25-minute production.

The company has won many awards for getting across serious management messages through the use of humour in such training classics as The Unorganised Manager starring James Bolam and John Cleese.

Supporters of video claim it is easier to raise touchy subjects, involving criticisms of managerial incompetence than it would be through face-to-face meetings.

"No-one likes to be told to their face that they are not doing their job properly but they are quite willing to watch a video and pick up the secrets of selling, negotiating, communicating, managing staff and business finance of which they were previously unaware," Mr Jay argues.

Video can obviously be easily stopped for discussion or replayed.

Video Arts believes that thanks to the video, training can now take place in-house at any time and in any size of organisation. The company says it has 25,000 customers in the UK alone, including British Telecom and IBM.

General Motors is using 1,000 copies of a single video. If Looks Could Kill, a guide to behaviour for all those whose job involves dealing with the public.

The range of material available includes everything from Who Sold You This, Then?—a guide to after sales service to Oh What the Hell, a guide to safety attitude training.

Video Arts charges around £625 for one of its more popular productions and also hires out its titles for £100 for two nights complete with discussion guide booklets.

"For 50 people that's £2 a head," says Mr Jay who concedes that most of the evidence for the success of video as a training tool is subjective.

He has however one quantifiable example of video training apparently being converted into increased turnover. A manager told him that sewing machines demonstrators in a wide range of retail outlets increased their turnover by 18 per cent after viewing a video training programme compared with those who did not.

Interactive video-discs are also increasing the amount of training material that can be presented on screen. Lloyds Bank, for example, spent around £4m to set up a network of 1,500 disc-based systems for its branches and offices to use both for training and internal communications.

Wadlow Grosvenor International, in complete contrast to Video Arts with its catalogue for sale and hire, produces training films and videos for individual clients specially tailored to their particular needs.

They include productions such as No Peace For The Wicked, made for the banks collectively to train retail staff on how to prevent cheque card fraud. The video, which cost about £20,000 to make and was presented by Shaw Taylor of Police Five fame drew the attention of staff to the importance of essential rules such as not accepting excuses why cheques should not be signed in the presence of the cashier.

Mr Kyrle Simond, chairman of Wedlow Grosvenor, believes video training material offers both high credibility and authority as well as convenience. Increasingly people are used to taking information from the television screen and are comfortable learning in that way.

Research, he believes, suggests thet messages conveyed by video have stuck in the mind much better after three days than messages conveyed by either the written or spoken word.

"Video can support the printed word and enable proper communication to take place," says Mr Simond, who some years ago even tackled the intricacies of introducing current cost accounting with the help of computer graphics for English China Clays and United Biscuits.

"It actually works," adds Simond, who has done a lot of training work for the financial community. The company makes between 10 and 12 training videos a year and has had more than 200 clients.

"I think there will be a fairly substantial development into interactive videodiscs and there is a growing use of video for training purposes," Mr Simond said.

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Owner-Managers

Where the nuts-and-bolts level is vital

"YOU'VE NEVER seen such a rush for a door in your life." Professor Charles Baker, of Durham University Management School, puffed his pipe as he recalled the start of its programmes for owner-managers of small businesses.

At the time, about 15 years ago, there was little of today's appreciation of the importance of small companies. Nor were their bosses seen as major clients by the staff of Britain's fairly newly formed university management departments.

Their dons expected their prime role to be teaching the academically well-qualified students of higher-degree courses of management, while additionally running programmes for experienced middle and senior executives mostly from big organisations.

Even then, however, Professor Baker was one of several people with local business interests who were worried about the area's economy. "We were like a colony. Most of our earning was done by operations owned outside the region. The employee-mentality, that can see no way to earn except in a job provided by someone else, was very strong."

So the group decided to try to encourage the growth of local businesses. Durham University agreed thet if demand from small-company bosses was adequate, the management school could set np a small business centre. But it had to become self-financing, and soon.

The spearhead was a set of eight evening lectures on business topics. Admission was free, and the sessions achieved a regular and appreciative-seeming audience of about 30 owner-managers. At the wine-and-cheese party which fullowed the last lecture, the president of a local management association publicly asked everyone who had attended to guarantee £50 annually for the next seven years to launch the small business centre.

"That started the stampede fur the door," Professor Baker said. "Fortunately the association president quickly planted himself in front of it and shamed a good few into signing up. Eventually we got together £1,400 a year, which in those days paid for half of the time of nne lecturer.

"But finding out that small business people don't much want anything that's not for nowt was only one of the lessons we got tn our discomfort early on. Any lecturers who came to work in the centre thinking they could teach there as they would on a normal university course had their minds changed abruptly, to say the least."

Despite the shock to conventional academic expectations, however, Charles Baker feels that management teaching in general would have a far more useful effect on manager's practical achievements if it had to be done in the nuts-and-bolts way that the centre bed no choice but to adopt. "On the whole even now, there's an excess of teaching of the know-that kind, end not enough about know-how."

Much the same view is held by Professor Alan Gibb who has since taken over the direction of the small business centre, which today has 17 full-time teaching staff. Several are seconded from big employers locally because the centre still has not found e way of persuading small-company bosses to pay full economic prices for management courses. Its self-financing status is achieved only by subsidies from bodies such as the Manpower Services Commission.

"For all that, our customers wouldn't come in any case if they weren't learning things that made money for their companies—a lot of them want proof of the pudding before paying anything for it at all," Professor Gibb explained. "So I think we can claim that the way we do things pays off in practice better than tha usual academically orientated styles of teaching.

"Our methods are harder on staff, though. There's nn chance nf survival for anybody whose attitude is that the person teaching has e right to be treated by students as more knowledgeable than they are. And the epproach we have tn take may not be necessary nn more standard manegement courses. The clienteles aren't the same; they have different reasons for going."

There are two main reasons why people go on conventional management programmes, he added. One is that they've been sent by their employer. The nther is that they want to use the fact that they have completed the course as a kind of career currency to improve their prospects of getting promotion, if necessary by moving to another organisation.

"But small business people wouldn't think of taking a course unless they felt it would enable them to solve some problem they had. Anyway, typical owner-managers don't see their company as separate from themselves. It's their own ego in many cases.

"That's why we can't use the fairly standard practical teaching method of getting them to produce statistics of their company's results and then have the class and the lecturer comment on them. Our customers would no more eppreciate you criticising their business than they would you criticising their marriage. They don't even like to be shown up as not knowing something."

Consequently tha centre clearly focuses its programmes on topics that ambitious owner-managers have a high probability of seeing as closely relevant to their operations. Managing growth is one popular example, and new technology has now become another.

The context in which the lessons are given is alwaya the optimistic one of the development of a business. Moreover, since few people who run their own company appear to be interested in ideas for their own sake, little reference is made to theory as such or even to sophisticated techniques of management.

"We concentrate on the appropriate technology of managing," Professor Gibb said. "State-of-the-art stuff hardly ever means much in outfits with at most 50 employees.

"Take costing methods for instance. Usually our customers haven't got beyond trying just to absorb their overheads by reckoning up what they've been in the past year and for the next one slap a compensating sum ooto their product prices as e whole, no matter what the products may be.

"If, instead, they kept track of different product lines' contributions to earnings, their pricing could be more flexible. So we study how to put in contribution costing. That's the sort of thing.

"As owner-managers esteem their peers far more than they do our staff, we try to find one on the course whn uses the more edvanced technique and, if we can't, bring in e manager who does. Then that person takes the lead in putting the lesson across. It's mostly objective.

"We don't do much about interpersonal skills and so on. If owner-managers don't have them anyway, they usually make up for them by what might be called 'charismatic paternalism'."

Although dealing at the nuts-and-bolts level might be expected to bore academics used to thinking about their subjects at high intellectual level, Professor Gibb says the case is the opposite — at least for people with the attitudes and aptitudes that the centre'e teaching demands. There is no bope that any course session could be concentrated solely on the teacher's own subject.

"You have to be versatile enough to deal not only with pretty well all aspects of management that are known abont, bnt a good many that aren't. The great compensation is that with our educational customers there's no shame in letting it be seen that you're ignorant on some point, which in our experience is something that teachers typically find hard to risk. But once you've got used m it, and felt what a stimulus it gives you to learn more, wakening up to being ignorant can be exciting."

Looking back over the 15 years of the centre's activities — few others tackling the same clientele have existed for as many as 10 years — the Durham dons say that the most crucial problem has been and remains the difficulty of selling. In the early 1970s, the return for sending out even 3,000 promotional brochures would often be no more than 10 bookings. While the marketing is now done primarily through small business associations, filling the programmes is still hard work.

"It is a bit like running e greengrocery stall with a lot of competitors close around. We have to kaep finding fresh carrots, in the shape of topics that owner-managers will see as offering better profits, and hanging them out so that everyone can see," Professor Gibb, who is the son of a Durham miner, said.

"Mind you, personal approach can make a difference. It's a bit like e banana republic up here, and it helps to be a local."

Clare Arron

Professor Peter Moore, Principal of the London Business School, Regents Park, with the Royal Charter

The approach shifts to greater flexibility

WHEN COMPANIES are being excellently managed, their executives often explain it to outsiders by saying: "We all think the same way." But the same phrase could not be used as a watchword for excellence in business schools.

They, by their very nature, conform to the law that states: In any good academic institution, the number of opinions on what it should be doing will be greater than the number of academic staff.

If the schools have paid inadequate attention to the needs of the practical manager, it is not because their activities are too loosely controlled. The reason is that they have been too tightly constrained by the conventions of academia which are often imposed on them by the university or other scholarly institution of which they are part.

It may be true that many of the schools' staff apparently believe those conventions superior to all others, assuming that people with the kind of intelligence required to attain high academic status must know better than those whose intelligences do not work in the same way.

It may also be true that such scholarly snobbery could be remedied by making schools not already meeting all their essential costs by their own earnings, more dependent on the market for their keep.

But it would not be in practical managers' best interests if they entirely called the tune. While they might get better attention to their wants, the schools' job is essentially to serve their needs which are not necessarily the same thing. That is not to say an academic institution can somehow know better than practioners what their needs are. The best it can do is to help them to find out.

By comparison with executives hard-pressed by demanding jobs, however, the schools have more scope and time to think into the matter adventurously.

Indeed, the typical practical executive might well be shocked if not scandalised by the thinking now going on at the International Management Institute in Geneva. It was founded nearly 40 years ago as Alcan's staff college, but since the late 1960s has become self-financing by attracting managers from different companies all over the world with its programmes emphasising international aspects of management.

Although its Master of Business Administration degree is validated by the University of Geneva, by the normal standards of management schools linked to established academic institutions IMI is on the very lightest of reins. As a result it is freer than most of its counterparts to take an experimental approach, claims its director Dr Juan Rada, who hails from Chile.

"What managers need to be able to do has clearly changed and is still changing," he says. "If we are to help people to manage in organisational cultures which are radically different, business schools must change their ways thoroughly too.

"How well we teach what we can teach is becoming a less important question than whether we can enable managers to learn what they need to know. If they're to gain enough understanding of very different cultures to manage them, their key need is possibly an anthropological understanding of themselves."

No management school could do its job without continuing to emphasise intellectual rigour, the IMI director says. But it equally cannot be effective if it stands on its academic dignity.

"It may even be that the most useful data we could give executives at the start of a programme would be an inventory of the relevant things we, like they, don't know. But if the experimental approaches we're seeking are to produce results, we'll have to look to our marketing. We shall need to be a model of enterprise as managers nurselves."

Does Dr Rada think other management schools believe they, too, need to change their ways so radically?

"From talks I've had with heads of schools, I feel that a good many would like to. But most others are too constrained by academic structures to have very much room to move."

Even so, the IMI director could not deny that more tightly fettered schools have often loosened the academic straitjacket to a degree that would have seemed remarkable a decade ago. Even the London Business School—widely considered to be the most academic of UK management-teaching institutions—now gets by far the greater part of its income from the market rather than from state grants.

Moreover, by recently becoming chartered as a university in its own right instead of only part of London University, the LBS now has more scope to make changes. Perhaps one of them will be to call its main degree an MBA, as the school reputedly always wanted, instead of using the MSc designation imposed on it by its former parent institution.

The acid test that lies ahead

Continued from Page One

ready and tolerably precise understanding of what is being asked about.

The lack of and crying need for an adequate language to describe activities of the managerial type will also be discussed.

Another general proviso concerns the attitude of educators and trainers. Even if they had a language enabling them to pinpoint which programme was most useful to a particular executive, there would be little value if the specialists then just prescribed the identified programme as a doctor would a medicine or tonic.

By doing so, they might well lead more managers to the most nutritious water. How deeply they would drink is another matter.

It seems sure that if executives are to extract the maximum value from any training programme, they must be able to see that it will serve their own ambitions—and not necessarily only to climb up the company ladder—as well as their employer's interests.

The third general proviso is that education and training conducive to leadership-centred operations can hardly be built into adult people if suitable foundations for it have not been provided by their previous education. And here again Britain seems to have especial difficulties.

The respected management thinker, Professor Charles Handy, says he has observed that, by comparison with British managers, those in Japan and the United States tend to be much more questioning and keen to learn about things both central to and beyond their particular job.

He agrees that the difference probably has something to do with UK general education which, with the possible exception of the Scottish variety, "is the sort of education system that gets wanting to learn a bad name."

It would not be unfair to describe that system as a device which, for every person it qualifies for anything, disqualifies about two from everything at a cost of £16bn a year. Above all, it is a system that concentrates overwhelmingly on preparing people for the sort of society that would appear to have little chance of economic well-being in future.

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LONDON BUSINESS SCHOOL

London Business School, Sussex Place, Regent's Park, London NW1 4SA Telephone: 01-262 5050. Telex: 27461 LBS KOX G

Why I think it's time for a new kind of advertising agency.

by Chris Martin

Sixteen years ago, Saatchi & Saatchi heralded its arrival with a Sunday Times advertisement.

In a nutshell, the ad claimed that much advertising spending was wasted and offered "hard-selling ads that would seize the public mind" as an alternative to the big agencies whose problems were pointed to by the flowering of the creative consultancies.

Now, of course, the famous brothers represent the 'mega' agency. They are no longer throwing the little wooden balls, but are themselves the coconut shy.

But I do not set out to knock Saatchi & Saatchi, where I myself was a founder member. I paraphrase their headline only to draw a comparison between the environment that agency grew up in and the atmosphere now.

Then, as Jeremy Sinclair rightly said, the problem was one of waste. The large agencies had grown up in an era when budgets were huge and advertisers comparatively few. They worked on the principle that given enough taps with the hammer, the nail would eventually be driven home.

During the 70's, the new creative agencies began to rain more imaginative, wittier and harder hitting blows upon the consumer. These agencies grew, merged with, and even took over some of the lumbering giants. So that now, clients who want visible, intrusive advertising have a fair number of options open to them. So why is it once again time for a new kind of agency?

First and foremost are the new conditions under which today's marketers are operating. Increasing competition, market segmentation and retailer power have resulted in a diminishing lifecycle for some products – no one can feel his brand share is safe. The difficulties of predicting market conditions and the effects of government policy have never been greater. Perhaps most dangerous of all, investors and managers who take too short term a view can make entire businesses vulnerable.

In this climate, some advertisers are (and more should be) making new demands on agencies. More than ever they need an agency team that becomes part of the company team. Does the senior management of your agency spend enough time getting to know your business? Or do they promote themselves as much as their clients?

The modern client also needs greater continuity. And yet the never ending stream of takeovers and buyouts coupled with the scramble to cash in on the USM (which we are as suspicious of as most clients) mean that the advertising industry has never been more unstable or profit conscious at a time when clients need reliability, consistency and value for money more than ever before.

They want a group of people who are prepared to put the brand's fame and fortune before their own. With an ability to question and contribute without being superior. Who are willing to get involved in the practical problems and who understand that a delisting from a major multiple can shatter profitability.

Most important of all, they want access to senior creative people, not the false mystique and creative pique which has hitherto been common place.

None of this represents a magic formula or brilliant new innovation. It's simply a shift in attitude.

One that Edwards Martin Thornton took from the day it started. The three partners (management, creative and media) had already worked together for ten years, a lifetime by agency standards, and from this solid foundation were able to build an agency specifically designed to meet the new demands of today.

An agency 100% owned by the partners which will certainly jealously guard its independence so it can control the pace of its growth. (Ours has been impressive but properly digested. Starting with no business 18 months ago, we now have twelve clients which bill £9M and include Bass, Singapore Airlines, Securicor, CBI, Jordans Cereals, Olivetti and Hyatt).

An agency where media will always be regarded as part of the creative solution.

An agency which rejects the creative xenophobia of those agencies who turn their noses up at advertising which crosses borders. Uniquely for a start-up, we have created a network of affiliates in seven European markets which has rapidly become a young resourceful alternative for the international client.

An agency which is ruthlessly straight in financial matters. Because if a clear, fair agreement is reached up front, there shouldn't be a need to look for extras.

An agency which is completely open in relationships inside and outside the company and which will never forget that its success depends upon the success of its clients.

Our intention is to build long term associations only with clients who will value our commitment and ideals. We won't appeal to everyone, but if you like the sound of us, call Bob Edwards, 01-631 0304.

If not, Saatchi's number is 01-636 5061.

EDWARDS MARTIN THORNTON

EDWARDS MARTIN THORNTON LIMITED LONDON HOUSE 9A MARGARET STREET LONDON W1N 7LF

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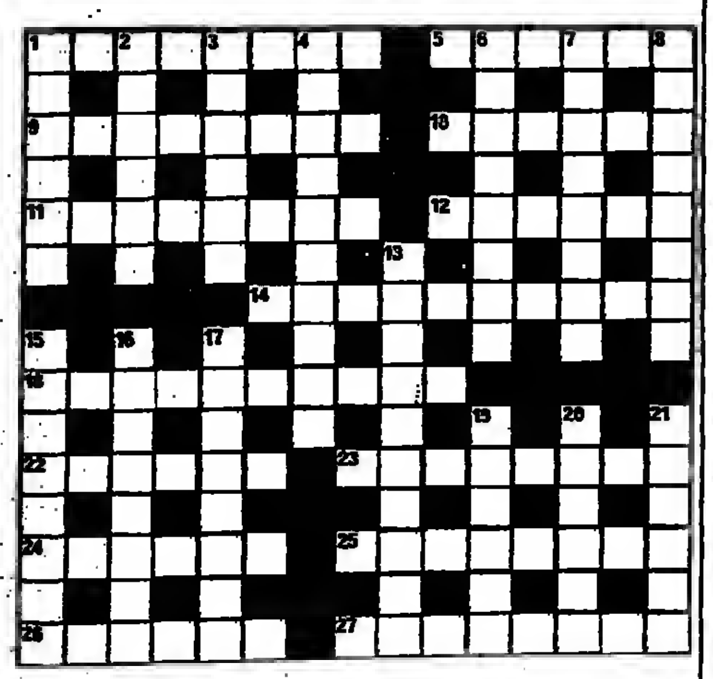
QUARK



ACROSS

1 Honest description of bat (8)
5 The Church in some resorts provides plenty of room (6)
9 Bird with thing about pot (8)
10 Gun display taking a little while coming back (6)
11 Clothes medical with honours after conflict (8)
12 Beat into a thin sheet (6)
14 It makes way for the traffic (4-6)
18 Car's broken down, defective, round former boom town . . . (10)
22 . . . still continuing at next roundabout! (6)
23 Most ratified and delicate home (8)
24 Container for leaves (3,3)
25 A plant—a beast, a fibber almost (8)
26 It's easy to share out (theologian is taken in) (6)
27 An outline for the study of medicine (8)

DOWN

1 Tough, contriving win? Yes (6)
2 Look what's about to draw up! (6)
3 One after the other during a performance (2,4)
4 Modern nut cracker? (4-6)
6 Poly bar first of benefits, perhaps? Most likely (8)
7 Top music in medley is hot stuff (8)
8 Understanding in an agreement (8)
13 Fair item to change to the original? (10)
15 Deters as arranged, and is insisted upon (8)
16 Yard in the country? (8)
17 Drops from above (8)
19 Temper? Girl's to restore 'armony (6)
20 More than one such would be shot (6)
21 Accomplish tan at (unusually) about one (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc	92.8	97.7	+0.1	—
American Acc	98.1	103.2	+0.4	—
Deposit Acc	99.2	104.4		—
European Acc	108.0	113.7	+0.6	—
Far Eastern Acc	108.1	123.8	+0.7	—
Fixed Interest Acc	80.4	84.6	−0.6	—
International Acc	105.7	111.3	+0.9	—
Property Acc	114.0	120.0	+0.1	—
UK Equity Acc	91.5	96.3	+0.1	—
Alpha Range—Pensions				
Managed Acc	94.9	99.9	+0.2	
Premier Range				
Managed Acc—Life	101.8	107.2	+0.4	—
Managed Acc—Pensions	102.7	108.1	+0.5	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	246.34	259.30	−1.78	—
Managed Income	118.20	124.42	−1.20	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	348.9	367.[illegible]	[illegible]	—
Managed Accum.	295.9	[illegible]	+1.[illegible]	—
Equity Accum	429.8	[illegible]	[illegible]	—
Property Accum	206.6	217.[illegible]	[illegible]	—
International Accum	266.6	[illegible]	[illegible]	—
Gilt-edged Accum	192.4	[illegible]	[illegible]	—
Money Accum	176.0	[illegible]	[illegible]	—
American Accum	178.6	[illegible]	[illegible]	—
Australia Accum	154.2	[illegible]	[illegible]	—
Financial Accum	200.8	[illegible]	[illegible]	—
"500" Accum	216.3	227.[illegible]	+0.[illegible]	—
European Growth Accum	142.5	[illegible]	[illegible]	—
Income Accum	239.9	[illegible]	+0.[illegible]	—
Japan & Gen Accum	300.2	[illegible]	+0.[illegible]	—
Leisure Accum	147.3	[illegible]	+0.[illegible]	—
Spec Sits Fd Accum	120.0	[illegible]	+0.1	—
Universal Tec Accum	108.4	114.[illegible]	+1.4	—
Managed Pns Accum	394.6	[illegible]	+2.9	—
Equity Pns Accum	143.8	[illegible]	+0.9	—
Intnl Pns Accum	149.3	157.[illegible]	+1.1	—
Gilt-edged Pns Accum	274.5	[illegible]	+2.7	—
Money Pns Accum	255.2	[illegible]	—	—
Property Pns Accum	107.2	112.[illegible]	—	—

For prices of Initial Units phone 01-534 5544.

Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405161

Black Horse Man. Fd		360.87	—	—
Income Fd	331.78	349.25	—	—
Extra Income Fd	314.07	330.60	—	—
Worldwide Growth Fd	320.79	337.68	—	—
Balanced Fd	293.14	308.57	—	—
Smlr Co's & Recry Fd	361.90	380.95	—	—
Int. Technology Fd	315.31	331.91	—	—
Nth. Amer. & Gen. Fd	204.45	215.22	—	—
Energy Int. Fd	116.21	122.33	—	—
Pacific Basin Fund	231.51	243.70	—	—
German Growth Fd	139.80	147.16	—	—
Japan Growth Fund	135.31	142.44	—	—
Equity UK Growth Fd	102.32	107.71	—	—
Property Fd	181.70	191.27	—	—
Fixed Interest Fd	171.90	180.95	—	—
Cash Fd	166.49	[illegible]	—	—
Managed Inv. Fd	247.89	260.[illegible]	—	—

British National Life Assurance Co Ltd
Perrymount Road, Haywards Heath 0444 414111

Managed Fd	205.0	[illegible]	[illegible]	—
Property Fd	169.2	[illegible]	[illegible]	—
Equity Fd	238.2	250.[illegible]	[illegible]	—
New Tech Fd	149.3	157.[illegible]	+[illegible]	—
American Fund	105.9	[illegible]	+0.[illegible]	—
Intl. Fd	273.4	277.[illegible]	[illegible]	—
Fixed Int. Fd	131.5	[illegible]	[illegible]	—
Deposit Fd	121.2	12[illegible]	[illegible]	—
Managed Series 2	204.7	[illegible]	[illegible]	—
Intnl Series 2	273.1	287.[illegible]	[illegible]	—
Equity Series 2	237.9	250.[illegible]	[illegible]	—
Managed Pens. Acc.	260.5	[illegible]	[illegible]	—
Managed Pens. Cap.	203.7	[illegible]	[illegible]	—
Property Pens. Acc.	199.8	[illegible]	−2.[illegible]	—
Equity Pens. Acc.	290.8	[illegible]	−[illegible]	—
New Tech Pens. Acc.	169.0	178.[illegible]	+1.[illegible]	—
Intl. Pens. Acc.	376.6	[illegible]	[illegible]	—
Fixed Int. Pens. Acc.	149.8	157.[illegible]	[illegible]	—
Savory Milln SMF Life	133.1	140.1		—
Cotswold SMF Life	138.0			—

Canada Life Group
2-6 High St, Potters Bar, Herts P. Bar 51122

Equity Gth Sept 29		145.6	—	—
Retirement		5.361	—	—
Individual Pension—Distribution				
Managed Pen Fund	285.1	300.2	—	—
Property Pen Fund	130.8	137.7	—	—
Index-Linked Pen Fd	122.9	129.4	—	—
Series C Pension—Accumulative				
International Pen Fd	187.0	196.9	—	—
Managed Pen Fd	163.3	171.9	—	—
Property Pen Fd	125.1	131.7	—	—
Index-linked Pen Fd	119.7	126.0	—	—
Gilt & Fixed Int Pen Fd	136.0	143.2	—	—
Equity Pen Fd	181.6	191.2	—	—
Managed Funds				
Managed	170.7	179.7	—	—
Property	127.3	134.1	—	—
Gilt & Fxd Interest	126.1	132.8	—	—
Index-linked	108.2	113.9	—	—
Equity	185.4	195.2	—	—
Cash	137.5	144.8	—	—
Midland Bank Unit Tst	184.0	193.7	—	—
Midland Bk Managed	184.8	189.7	—	—
Midland Bk Internatl	217.0	229.3	—	—

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	324.2	343.1	—	—
High Income	282.0	298.4	—	—
Property	206.6	218.6	—	—
Managed	240.5	205.5	—	—
Deposit	174.3	184.4	—	—
Gilt	167.8	177.6	—	—
American	245.5	259.8	—	—
International Money	107.5	109.0	—	—
Index	106.4	112.6	—	—
Far East	196.0	207.4	—	—
Global	100.5	106.3	—	—
European	108.0	114.3	—	—
Japan	108.8	115.1	—	—
2nd Series Pension Accumulation				
Equity	510.0	539.7	—	—
High Income	331.2	350.5	—	—
Property	288.2	305.0	—	—
Managed	344.6	364.7	—	—

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd (A&B) Nov 20	250.5	264.0	−4.5	—
Fixed Int (A&B) Nov 20	161.5	170.0	−2.5	—
Man Grwth (A&B) Nov 20	518.5	546.0	−4.5	—
Money Fd (A&B) Nov 20	142.5	150.0	+0.5	—
Cap Fd (A&B) Nov 15		400.0		—
£ & $ Sec Fd (A&B) Nov 15		166.0		—
Far East Eqty (A&B) Nov 20	178.0	187.5	+0.5	—
N.Amer Eqty (A&B) Nov 20	107.0	113.0	−2.0	—
Int Technlgy (A&B) Nov 20	156.5	165.0	−1.0	—
Property (A&B) Nov 20	195.5	206.0	−3.0	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	141.0	148.7	+0.4	—
American Equity	118.8	125.3	—	—
Far East Equity	156.7	165.3	—	—
Managed Fund Acc	361.0	380.0	—	—
International Equity	182.8	192.8	—	—
Gilt Edged	175.9	185.5	—	—
Money Fund	144.3	152.2	+0.1	—
CCL Henderson	157.0	165.6	—	—
CCL Perpetual	195.2	205.9	—	—
CCL Property	224.6	236.9	—	—
Smaller Cos	248.7	262.3	—	—
Perpetual Eurogrowth	113.7	119.9	—	—
CCL Hndrsn Prdt Res	97.4	102.7	—	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	171.7	180.7	—	—
Criterion Mngd Fund	165.1	173.8	—	—
Pension Mngd Cap	51.6	54.3	—	—
Pension Mngd Acc	60.5	63.5	—	—
Pension G'nteed Dep Ac	34.5	36.4	—	—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds				
American Acc	101.0	106.3	+1.6	—
Equity Acc	370.8	390.3	+2.4	—
European Acc	187.1	196.9	+0.6	—
Fixed Interest Acc	206.1	216.9	+1.8	—
High Income Acc	351.7	370.2	+2.1	—
Intnl. Acc	339.2	357.0	+4.7	—
Inv. Trust Acc	405.4	426.7	+2.2	—
Japanese Acc	154.7	162.8	+2.1	—
Managed Acc	307.0	323.1	+2.5	—
Money Acc	179.2	188.6	+0.1	—
Property Acc	181.3	190.8	—	—
Individual Pension Funds(z)				
American	114.6	120.6	—	—
Equity	383.1	403.2	—	—
European	266.7	280.7	—	—
Fixed Interest	201.7	212.3	—	—
International	157.3	165.7	—	—
Investment Trust	139.8	147.1	—	—
Japanese	221.4	233.0	—	—
Managed	275.7	290.2	—	—
Money	173.4	182.5	—	—
Property	107.8	113.4	—	—
Group Pension Funds(z)				
American	117.3	121.5	—	—
Equity	400.2	414.7	—	—
European	272.9	282.7	—	—
Fixed Interest	221.0	229.0	—	—
International	161.0	166.8	—	—
Investment Trust	143.0	148.1	—	—
Japanese	226.4	234.6	—	—
Mixed	377.8	391.5	—	—
Money	224.4	232.5	—	—
Property	110.3	114.2	—	—
Other Funds(z)				
Brewin Equity	487.5	513.1	—	—
Crown Brit. Inv. A	469.2	505.2	—	—
DBS Managed	177.3	186.6	—	—
Growth Acc	206.8	217.6	—	—
Heritage	217.0	228.4	—	—
Longlife Mngd (Life)	106.1	111.6	+1.5	—
Longlife Managed Pens.	116.0	122.1	—	—
PE Cornmet	249.8	262.9	—	—
Sage	165.6	174.3	—	—

Crusader Insurance Plc
Reigate, Surrey RH2 8BL 07372 42424

Managed Performance	96.2	101.7	+0.5	—
Performance Plus	97.4	102.9	+0.2	—
With Profit Perform.	96.3	101.9		—
UK Opportunity	72.6	98.0	+0.4	—
European Opportunity	107.4	113.7	+0.4	—
Nth American Opp	95.3	101.0	−0.3	—
Far Eastern Opp	95.9	101.4	+0.4	—
Gwth Prp Ser 1 Nov 6	138.1	150.0	—	—
Gwth Prp Ser 2	95.1	100.6	—	—
Fixed Interest	90.2	95.4	+1.3	—
Cash	96.0	101.5	—	—
Managed Pens (Oct 17)	282.65	288.84		—

Devonshire Life
29 Glasshouse St, W1R 5RG 01-434 3511

Managed	107.7	113.5	[illegible]	—
World Growth	96.3	101.4	[illegible]	—
UK Equity	109.6	115.5	[illegible]	—
UK Small Companies	106.6	112.3	[illegible]	—
European	100.6	106.0	[illegible]	—
Far Eastern	150.6	158.6	[illegible]	—
Nth American	95.3	100.4	[illegible]	—
Fixed Interest	96.0	101.0	[illegible]	—
Index Linked Stks	96.0	101.1	[illegible]	—
Money	99.3	104.6	[illegible]	—
Pen Managed	116.5	122.7	[illegible]	—
Pen World Growth	96.9	102.2	[illegible]	—
Pen UK Equity	121.2	127.6	[illegible]	—
Pen UK Small Cos	113.5	119.6	+0.[illegible]	—
Pen European	102.2	207.7	[illegible]	—
Pen Far Eastern	189.8	199.9	[illegible]	—
Pen Nth American	93.7	98.8	[illegible]	—
Pen Fixed Interest	97.4	102.6	[illegible]	—
Pen Index Lnkd Stks	96.5	101.7	[illegible]	—
Pen Money	102.2	187.7	[illegible]	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521311

Secure Fund	102.0	108.5	—	—
Blue Chip Fund	120.5	126.9	+1.0	—
Performance Fund	146.1	153.8	+0.9	—
Adventurous Fund	143.0	150.6	+1.1	—

Eagle Star Insur/Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	154.1	159.7	+1.1	4.36

[illegible]

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World Fund S.A.
2 Boulevard Royal, Luxembourg

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World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.73			—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Magt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$17.02			—
Dynamic Gwth Fd	$18.73			—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.15	12.8d		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Funds Money Magmt Co Ltd Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.00	7.47	10.96	3-mth
CAFCASH 7-day Fund	10.48	7.83	11.50	3-mth
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.50 (10.92CAR)			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.12	7.58	11.05	6mth
7-day Fnd	10.20	7.62	11.14	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.61	7.17	10.30	6-Mth
7-day Fund	10.17	7.60	10.90	6-Mth
Dollar	4.94	3.69	5.27	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	10.25	7.58	10.86	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr
Min.Int.Chq.£1000-£5000	10.00	7.48	10.90	Mth
Min. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.03	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.25	7.66	11.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.00	Qtr
Benchmark Trust Ltd 9 Hendrieta Place, W1M 9AG. 01-631 3313				

NOTES

TRADITIONAL OPTIONS
3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	149
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs	30
Grand Met	49	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brist. Oil & Min	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	28	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds.	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk.	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
22Jul	22Jan	Exch. 13¼pc 1987	100[illegible]	16.6	13.22	10.77
10 Aug	10 Feb	Treas 10½pcCv '87	99[illegible]	4.7	10.29	11.42
24Aug	24Feb	Exch 2½pc 1987	98[illegible]	18 7	2.53	7.21
6Oct	6Apr	Exch. 10½pc 1987	99[illegible]	1.9	10 53	11.27
1 Nov	1 May	Funding 6½pc 85-87	98[illegible]	25.9	6.59	10.11
12Dec	12Jun	Treas. 10pc 1987	99[illegible]	5.11	10.06	11.29
14Jan	14Jly	Treas 3pc 1987	96[illegible]	30.6	3.10	8.42
3May	3Nov	Treas. 12pc 1987	100[illegible]	29 9	11.93	11.25
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	96[illegible]	19.6	8.00	10.58
10Nov	10May	Exch 10½pc '88	98[illegible]	6 10	10 61	11.30
14Dec	14Jun	Treas 9¾pc Cv '88	97[illegible]	7.11	9.96	11.31
1Jan	1Jul	Transport 3pc '78-88	91[illegible]	27.5	3.26	8.48
25 Apr	25 Oct	Treas. 9½pc '88	96[illegible]	18.9	9.81	11.37
22 Aug	22 Feb	Treas 11½pc 1989	100[illegible]	16.7	11.49	11.39
18 Oct	18 Apr	Treas 9½pc Cnv 1989	96[illegible]	11.9	9.89	11.41
15Nov	15May	Treas 3pc 1989	87[illegible]	9.10	3 42	8.61
14Dec	14Jun	Treas 10½pc 1989	98[illegible]	7.11	10.71	11.42
1Feb	1Aug	Exch 10pc 1989	96[illegible]	25.6	10.39	11.45
29 Mar	29 Sep	Exch 11pc 1989	99[illegible]	26.8	11.11	11.38
15 Apr	15 Oct	Treas 5pc 1986-89	88[illegible]	8.9	3.66	9.72
15 May	15 Nov	Exch 10½pcCv '89	98[illegible]	9.10	10.42	10.91
15 Jul	15 Jan	Treas 13pc 1990‡‡	104	9.6	12.50	11.40
12 Aug	12 Feb	Exch 11pc 1990‡‡	99	7.7	11.11	11.33
22 Sep	22 Mar	Exch. 12½pc 1990	103	18.8	12.14	11.38
8 Nov	8 May	Treas. 3pc 1990	83[illegible]	2.10	3.60	8.68
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	93[illegible]	10.11	8.87	10.68
25 Apr	25 Oct	Treas. 10pcCv 1990	95[illegible]	18.9	10.44	11.35
22 May	22 Nov	Exch 2½pc 1990	80	16.10	3.12	8.51
10 July	10 Jan	Treas 11½pc 1991	101	3.6	11.63	11.40
9Oct	5Apr	Funding 5¾pc '87-91‡‡	86[illegible]	1.9	6.63	9.55

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
May		Metsec 10p	76	13.10	L2.46	2.6	4.6	11.7
Jan	May	Mitchell Cotts	58½	10.3	1.5	2.1	3.6	15.1
August		Monks & Crane 10p	139	30.6	L2.7	2.9	3.2	14.5
Jan.	July	Morgan Crucible	313xc	20.11	10.5	1.5	3.8	20.8
May		Morris (W.) F.A. 20p	14½	—	—	—	—	—
July		Mytee Grp 10p	155	29.9	12.63	2.6	2.4	20.0
Nov	June	NMW Computers	235	13.10	16.0	3.0	3.6	13.5
Mar.	Sept.	Nash Inds.	85	11.8	10.5	—	0.8	—
—		Neill & Spencer 10p	13	3.81	—	—	—	—
Jan	July	Newman Inds. 10p	36	15.9	10.8	1.5	3.1	27.5
Apr	Sept	Noble & Lund 10p	92	29.9	0.7	4.3	1.1	30.3
April	Dec	Norton	98	2.6	1.2	♦	3.4	♦
—		Norsk Systems 5p	137	15.9	1.5	—	1.5	17.6
Jan.	Aug.	Norcros	240	14.7	9.3	2.2	5.3	11.9
Oct.	April	Nu-Swift 5p	195	27.10	13.5	2.1	2.6	26.0
May	Nov	OCE 9pc Cnv 1987-92	£304½	27.10	Q9%	—	—	—
Feb.	Aug.	Oakwood Grp.	90	27.1	5.0	1.3	—	12.5
Dec	July	Office & Elect.	176	27.10	8.5	2.9	6.8	7.2
Apr	Oct	Oldacre 20p	175	10.2	5.0	♦	4.1	♦
—		Omnitech 1p	51	—	—	—	—	—
—		Optometrics $0.01	20	—	—	—	—	—
May	Nov	Oriflame £1	865	29.9	24.5	2.1	4.0	16.8
Jan.	June	Overstone 12½p	78	12.5	—	1.9	14.3	3.7
December		PCT Grp 10p	115	15.9	d3.2	—	5.8	—
April		PLM 'B' Sk 25	£17¼	3.4	Q23.2%	0.3	3.5	—
June	Dec	PSM Intl	195	8.10	—	1.3	4.1	14.4
June		Pacer Systems $0.01	170	25.4	—	3.4	2.5	19.8
Apr.	Dec.	Pacific Sales 10p	[illegible]	15.9	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
		Anglo Utd	28	14.7	—	—	—
—		Colby Res Corp	38½	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	£17	14.7	Q60c	4.4	9.9
—		Ennex Int. Ir10p	40	—	—	—	—
—		Greenwich Res	358	—	—	—	—
Apr	Oct	Hampton Areas 10p	146	23.12	1.0	—	1.0
—		Highwood Res	229	—	—	—	—
Fb Jn Ag Nv		Homestake Mining $1	£18	29.10	Q20c	—	0.8
—		McFinley Red Lake	178	—	—	—	—
—		Minero Explorations	209	—	—	—	—
—		New Sabina Res C$1	41	—	—	—	—
—		Northgate C$1	311	977	—	—	—
Jan.	July	RTZ	672	27.10	22.0	2.4	4.6
Jan	July	Do. 9¾pcLn '95-2000	£142¼	27.10	Q9¾%	15.5	-

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ¶ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǂ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	.....	Fin. 13% 97/02	£96¼	.....
Craig & Rose £1	£15¼	.....	Arnotts	250xd	−15
Finlay Pkg. 5p	47	.....	CPI Hldgs	39	.....
Holt (Jos) 25p	810	−5	Carroll Inds.	135	.....
IoM Stm. £1	75	.....	Dublin Gas	15	+3
			Hall (R. & H.)	95	−5
IRISH			Heiton Hldgs.	27	−½
Fund 11¼% 1988	£96¼	.....	Irish Ropes	130	−5
Nat. 9¾% 84/89	£91¾	.....	Unidare	245	−13

"Recent Issues" and "Rights" Page 29
(International Edition Page 29)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

Bryant construction
021-704 5111
0344 426688
SOLIHULL
BRACKNELL

CONSTRUCTION CONTRACTS

Farnborough station scheme

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

CONDER DEVELOPMENTS—a division of the Conder Group, best-known for its structural steel work—is going ahead under a £15m development at Farnborough station in Hampshire.

The project will be carried out in conjunction with the British Rail Property Board and will be managed by Ariman, a joint company formed by Conder Developments and Rumnall Investments.

The development represents a major diversification for the group in its attempts to create its own workloads, explained Mr Mike Moore, Conder's marketing manager.

Conder has moved from being a principal subcontractor responsible for providing the steel framework for buildings, to management contracting, to designing and building, and now to development, he said.

"Projects like the one at Farnborough mean we can use the liquid capital from payments for other contracts to fund the development and provide work for our construction arm."

The Farnborough station project forms part of a long-term strategy to expand this part of the Conder Group's activities.

Conder is also developing a £35m 20-acre business park at Bartley Wood in Hook, Hampshire, with Great Estates.

Conder will now build 115,000 sq ft of office space at Farnborough station, in a development which also includes a station forecourt and car parking as well as resiting a coal yard. It will also provide major road improvements in the area.

£18m hotel in Glasgow

RUSH & TOMPKINS is to build an £18m hotel beside the Scottish Exhibition and Conference Centre in Glasgow. Forum Hotels International has been appointed to operate the hotel, which is to be of four-star quality. The 300-bedroom tower block will be 17 storeys high with a glazed facade enveloping a reinforced concrete structure. This will be complemented by a two-storey conference and banqueting suite, which will provide additional facilities for up to 2,000 people. The contract will last 24 months, but it is expected that some facilities may be open for trading during the Glasgow Garden Festival in the spring of 1988. Rush & Tompkins, in conjunction with Roche and Co., has led the development and been instrumental in arranging both the funding and the operating contract with Forum Hotels.

Rush & Tompkins has won construction contracts in the south-west and Wales worth £5m, including a £1.1m 16-week contract with MFI Furniture Group for an Allied Carpets outlet in Branksome, Poole. At Chitterne in Wiltshire, work has started on an £860,000 contract with Wessex Water Authority for construction of a pumping station, control building, reinforced concrete raw water tanks and associated works. Completion is scheduled for May 1988. A £712,000 contract has been secured with Renrod Limited to build a 2,700 sq metre motor car show room, workshop and parts department in Lower Bristol Road, Bath, for completion in June. Three contracts in Wales are worth £1.5m.

£28m orders for RM Douglas Group

R. M. DOUGLAS GROUP has been awarded contracts worth £28.5m. Work valued at £21m has been won by R. M. Douglas Construction. A £4.7m contract comes from Standard Life to build industrial units at Croxley Green; a £935,000 production building is for Johnson Wax in Frimley Green; a £685,000 fitting-out contract for A. H. Robins at Crawley; and a £700,000 design and build office block for Glacier Metal at Alperton are among a £7.4m batch of orders. In the north west, an operational control centre will be built at Stockport for the British Gas Corporation for £3.45m, and in the north east a £867,000 design and build contract has been secured for industrial units at Teme Valley for English Industrial Estates.

The South Wales region has over £3m of orders which include the Port Talbot Magistrates Court for £1.2m; an industrial development for Cwmbran Development Corporation for £894,000; a MacDonalds hamburger restaurant in Newport; and a fitting-out contract for Texas Homecare in Weston-super-Mare.

In the west Midlands, R. M. Douglas has secured the £1m substructures contract of the Ladbroke City Plaza in Temple Row, Birmingham; a separate division has been awarded the management contract for the £10m development. In the east Midlands, a £1m order has been received from Jaguar Cars at Coventry for re-roofing works; and work has started on site in Nuneaton building a £3.7m supermarket for J. Sainsbury.

Two roadworks contracts valued at £7.5m have been awarded to Khansaheb Civil Engineering, the associate company of R. M. Douglas Construction in Dubai. The Dh 7m (£1.35m) contract for roads in the Diwan area is due for completion in January. The Dh 31m (£5.99m) contract to build the Al Qusais tip road and block factory area roads is programmed for one year ending October 1987. The client for both projects is the Dubai Municipality.

IN BRIEF

LLEWELLYN has won a series of contracts, together worth £11.9m. A factory and offices at Havant, Hampshire, are to be built under a £4m contract. This is a redevelopment project on part of an existing estate owned by Town and City Properties (Developments), part of the P & O Group. It will become the U K headquarters of Data Card (Europe). At Beaufort Gardens, Kensington, three terraced houses are being converted into a hotel for Scott-Roat, Pied-a-Tels at a cost of £1.48m. Forty-six sheltered flats are being built in Hove, Sussex, at a cost of £1.83m for Retirement Security in association with the Nationwide Housing Trust. Work on a £5m block of 73 flats is about to commence at the Shoulder of Mutton site in Limehouse, London.

*

LOVELL CONSTRUCTION (SOUTHERN) is to build a 163-bed hotel at Waltham Abbey in Essex for Swallow Hotels. The four-star hotel is to be built on a site close to Junction 26 of the M25 motorway under a 78-week contract valued at £5m. The hotel will be a hollow square, three sides composed of two-storey bedroom accommodation, the fourth side being the single-storey entrance, catering and administration section. Traditional methods of construction will be used.

*

Contracts worth over £6m have been awarded to TRY CONSTRUCTION and TRY BUILD. Work has started on a craft block for Harrow School; and for refurbishment and extensions to the listed Stoke House, near Slough, to form offices. Other contracts include construction of a Corner Warehouse, High Wycombe; alterations and extensions to Brakspears Brewery, Henley; and Lexmead Garages, Ruislip. Construction of a special-facility building at Terminal 4 Heathrow on a fast-track programme is due for completion before Christmas.

*

KYLE STEWART has been awarded an £8m design-and-construct contract for a Tesco superstore at Goodmayes, near Ilford. The 65,000 sq ft store will have parking for 700 cars, and will have an eight-pump petrol station on the 12-acre site next to Goodmayes railway station. Completion is due within a year. Construction of the new store will be of steel frame and brick cladding, with offices and plant rooms at roof level.

£46,000,000 CGF Capital B.V.
(Incorporated with limited liability in the Netherlands)
7½ per cent. Convertible Subordinated Guaranteed Bonds Due 2001
Convertible into Ordinary Shares of, and unconditionally and irrevocably guaranteed on a subordinated basis by
Consolidated Gold Fields PLC
(Incorporated with limited liability in England)

Notwithstanding the minimum notice period as required by the Conditions of the Global Bond constituting the above Issue, NOTICE IS HEREBY GIVEN that with the consent of the Trustee the Entitled Account Holders may exercise their rights of conversion at any time from December 1st, 1986 up to and including June 30th, 2001, or such earlier date as the Bonds may become payable in accordance with the Conditions.

By: CGF Capital B.V.
The Chase Manhattan Bank, N.A., London
Principal Paying and Conversion Agent

London, November 24th, 1986

This advertisement is issued in accordance with the Regulations of the Council of The Stock Exchange in connection with the introduction of the Shares of Mercury Offshore Sterling Trust to the Official List and does not constitute an offer to any persons to subscribe or purchase any Shares in Mercury Offshore Sterling Trust.

MERCURY OFFSHORE STERLING TRUST

(incorporated in Luxembourg as a société d'investissement à capital variable)

Mercury Offshore Sterling Trust (MOST) is an open-ended investment company with an "umbrella" structure comprising a number of distinct investment portfolios (Funds). MOST aims to qualify as a distributing fund for U.K. tax purposes.

The principal investment objective of MOST is to maximise capital appreciation in sterling terms.

The Council of The Stock Exchange in London has admitted to the Official List separate classes of Shares of no par value of MOST denominated in sterling each linked to one of the following Funds:

Global Fund
Overseas Fund
United Kingdom Fund
North American Fund
Japan Fund
European Fund
Pacific Fund
Cash Fund

Particulars relating to MOST are available in the statistical series of Extel Statistical Services Limited. Copies of MOST's Prospectus may be obtained during normal business hours (Saturdays and Public holidays excepted) up to and including 26th November, 1986 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2 and up to and including 8th December, 1986 from:

Rowe & Pitman Ltd.
1, Finsbury Avenue,
London EC2M 2PA.

and during that period and thereafter from:

Mercury Offshore Sterling Trust,
10, boulevard Roosevelt,
Luxembourg.

Warburg Investment Management Jersey Ltd.
39-41, Broad Street, St. Helier,
Jersey, Channel Islands.
(the Manager of MOST)

Mercury Warburg Investment Management Ltd.
33 King William Street,
London EC4R 9AS.
(the Investment Adviser to MOST)

24th November, 1986.

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY
COMPANY MEETINGS—
Attwoods, Pickeridge, Stoke Common Rd, Fulmer, Bucks, 12.00
Authority Invs., Cadogan Hotel, 75, Sloane St., S.W., 11.0
Bailey (C. H.) Batt. Dry Dock, Cardiff, 4.00
Global Group, 16, Bedford Street, W.C., 11.30
Haggas (John) Keighley, West Yorks., 11.00
Murray Ventures, 163 Hope Street, Glasgow, 12.00
Stocklake Hldgs., Gt. Eastern Hotel, Liverpool Street, E.C., 12.00
BOARD MEETINGS—
[illegible]
DIVIDEND & INTEREST PAYMENTS—
[illegible]
TOMORROW
COMPANY MEETINGS—
[illegible]
Ridgeway, Enfield, Middx, 12.00
Chambers and Fargus, 189-197 Wincolmlee, Hull, N. Humberside, 12.00
Savage Group, Ladbroke Hotel, Elton Way, Watford, 10.00
Synapse Computer Services, Barrington House, Gresham Street, E.C., 12.00
BOARD MEETINGS—
Finals:
Fenner (J. H.)
Nrthrn American Tst
Tomkinsons
Towngrade Secs
Interims:
Alexon
Allied-Lyons
Alphameric
Balmer and Lamb
Century Oils
Chancery Secs
EMAP
Fairbriar
Fletcher Dennys Systems
Govett Atlantic Inv Tst
Hambros
Leigh Interests
Lloyd (F. H.)
Monks Inv Tst
Powell Duffryn
DIVIDEND & INTEREST PAYMENTS—
Aluminium Co. of American 30cts.
Bramall (C. D.) 2.6372p
Chambers And Fargus 1.25p
Christies Intnl. 1.5p
Eaton Cpn. 40cts.
MAI 13.5p
Stag Furniture 1.75p
WEDNESDAY NOVEMBER 26
COMPANY MEETINGS—
London and Provincial Shop Centres, 28, South Street, W., 3.00
National Home Loans Con., Bakers Hall, Harp Lane, E.C., 11.00
Polytechnic Electronics, Royal Oak Way, Daventry, Northants, 11.00
Randsworth Tst., Kingsbourne House, 229 High Holborn, W., 12.00
Trafford Park Ests., United Trading Est., United Road, Old Trafford, Manchester, 12.00
BOARD MEETINGS—
Finals:
Kwik Save
MEPC
Radio City (Sound of Merseyside)
Rolinco
Interims:
Bassett Foods
Courtaulds
Magnet and Southerns
TR Property Inv Tst
DIVIDEND & INTEREST PAYMENTS—
Armstrong Equipment 2p
Bristol Stadium 1.2p
Broken Hill Prop. A$0.175
Lloyds Eurofinance 1996 £127.8
Merrill Lynch 20cts.
Murray Ventures 6p
Savage 0.5p
Southend-on-Sea Borough Council 12pc 1987 6pc.
Synapse Computer Services 2.2p
Utd. Friendly Insurance 9 (Rest. Vte.) 6.1p
THURSDAY NOVEMBER 27
COMPANY MEETINGS—
Christy Hunt, Atlas Work, Foundary Lane, Earls Colne, Colchester, Essex, 12.00
Manders (John) Grand Hotel, Aytoun St., Manchester, 12.00
Rivoli Cinemas, 15-17 Ridgemount St., W.C. 4.00
Television South West, The Studios, Derry's Cross, Plymouth, 2.30
BOARD MEETINGS—
Finals:
Chrysalis
Nrth British Steel
Interims:
Anglo American Coa
BPB Inds
Rulpin (A. F.)
Barnet and Hallamshire
Carless Capel and Leonard
Dawson Intnl
Hall (Matthew)
Intnl Leisure
Mercury Intnl
Millward Brown
Sedgwick
DIVIDEND & INTEREST PAYMENTS—
Bank Montreal C$0.48
Brunsford 1p
Garnar Booth 3.35p
Hemerton Homecare 0.5p
Juliana's 0.5325p
London Park Hotels 3.5p
Rivoli Cinemas 95p
Trafford Park Ests. 5p
FRIDAY NOVEMBER 28
COMPANY MEETINGS—
Beeper (C. H.), Assembly Rooms, Bath, 12.00
British Car Auction, Expedier House, Portsmouth Road, Hindhead, Surrey, 12.00
Caskets (S.) Britannia Hotel, Manchester, 12.30
Fisher (Albert) Sir Christopher Wren's House Hotel, Thames Street, Windsor, Berks., 12.00
Great Universal Stores, Chartered Insurance Institute, 20, Aldermanbury, E.C. 12.00
Munton Bros., Gt. Eastern Hotel, Liverpool Street, E.C., 12.00
[illegible]
East Worcestershire Waterworks 10½pcPf 1986 4.375p
Elders IXL 8cts
Emess Lighting 2.3p
Fleming Universal Inv Tst 0.8p
Global Gp. 1.75p
Goodwin Warren Control Systems 1.1p
Great Western Financial Corpn 30cts
Green (Ernest) & Partners 0.71p
Higgs and Hill 7pcPf (£1) 5.5p
Hill Samuel PerpFltgRateNts $371.72
INSTEM 1p
Invicta Gilt Income PtgRedPf 30p
JWT 28 cents
Kleinwort Benson Lonsdale PLC $378.07
Korea Exchange Bank FltgRateNts 1994 £128.30
Lee Cooper 1.6p
Manders (John) 2.6p
Mersec 1.3p
Minerals Oils and Res 17 cents
Primary Capital FRN's (series C) $156.61
OK Bazaars (1929) 6pc2ndPf 6 cents
Dailey 20cts
Osterreichische Landerbk (1994) $185.86
Phicom 0.7p
President Entertainments 0.75p
St Modwen Props 8.5pcPf 4.25p
Sale Tilney 3p
Senior Eng 0.866p
Sinclair (W) 4.5p
Sirdar 3.5p
S'hampton IoW SOE RM Steam Pkt 5pc Pf 1.75p
Spain (Kingdom) (1999) $365.36
Std Bk Imp Exp Fin (1992) £128.39
Stoddard 4pcPf 2pc
Sceter 1.4p
Svenska Intnl (1995) $365.36
Systems Reliability 1.7p
T S Stores 1.4p
Tendring Hundred Waterworks 10½pcPf
TR City Ldn Trst Dfd 1.1p (1986) 5.25p
Trans-Oceanic Trst 6pcDb 1984-89 3pc
Trentworld Corp 10cts
Underwoods 1p
Volvo 8pcBds (1987) 4pc
Watts Blake Bearne 1.62p
Wells Fargo (1992) $47.44
Westminster and Country Props 5.5p
Wold 0.75p
SATURDAY NOVEMBER 29
DIVIDEND & INTEREST PAYMENTS—
Aurora 0.5p
Jersey Gen. Invst. Tst., 5½pcPf 2.75p
Tay Homes 3.71p
SUNDAY NOVEMBER 30
DIVIDEND & INTEREST PAYMENTS—
Ace Belmont Intnl. 10pcPf. 5p
Allen (Edgar) Balfour 7¾pcDb 1987-92 3⅞pc
Allied Lyons 5½pcPf. 1.925p. 7½pcPf. 2.625p
Anglo Nordic 10pcLn. 1989 5pc
Armitage Bros. 7½pc1stDb 1985-90 3¾pc
Boddingtons Brewk. 6pcDb. 1987-92 3pc
Brascan A Conv. C$0.20
Bristol (City of) 11¼pc 2008 5⅝pc
Britannia Arrow 6¾pcPf. 2.3625p
Brit. Alcan Aluminium 10½pcDb 2011 3.442pc
Bryant 8pcPf. 2.8p
Capital and Counties 6¾pc1stDb. 1995-2000 3⅛pc
Carlton Inds. 7pcPf. 3.5p
Crean (James) 10pcLn. 1995 5pc
Cropper (James) 9pcLn. 1994-99 4½pc
Dawson Intnl. 7pcDb. 1985-90 3½pc. Do. 7½pcDb 1985-90 3¾pc. Do. 10¾pc 1990-1995 5⅜pc
Dualvest 7.19p
Dunlop Plants. 6pcPf. 2.1p
Durton 12pcPf. 1997-2002 6p
Eastern Prod. 10½pcLn. 1997-2002 5¼pc
Fundinvest 4.809p
Goodhead Print 7pcPf. 0.8p
Horne Bros. 7pcPf. 2.45p. 7¼pcLn. 1995-2000 3⅝pc
Hydro-Quebec 15pcLn. 2011 7½pc
ICI 7¾pcLn. 1986-91 3.7582pc
Johnson Matthey 6¾pcDb 1985-90 3⅜pc
Jove Invst Tst 2.65p
Kleinwort Benson Gilt Ptg Red Pf 30.90p
Law Debenture Corp 4pcDb 1978-88 2pc. 4pcDb 1983-88 2pc. 5pcDb 1983-88 2½pc
Lewis (John) Props 5½pcDb 1984-89 2¾pc. 6½pcDb 1984-89 3¼pc
Lond and European 10½pcLn 1993 5¼pc
McCorquodale 6¾pcLn 1990-95 3⅜pc. 9pcLn 1994-99 4½pc
Midland Bank 14pcLn 2002-07 7pc
NRC 4pcLn 1993-98 2pc. 8¾pcLn 1993-98 4⅜pc
Northern Foods 7¼pcDb 1985-90 3⅝pc
Pearson Zochonis 7½pcPf 3.75p. 10pcPf 5p
Peugeot Talbot Motor 5½pcDb 1984-89 2¾pc
Pillsbury 50cts
Rowtons Invst Tst 6pcPf 1.75p, 4¾pcLn 1973-98 2⅜pc
STC Int Computers 6¼pcDb 1981-86 3⅛pc
Sainsbury (J.) 6½pcDb 1988-93 3¼pc
Save and Prosper Return of Asset Invst 6.3pc-13.3pcCumPfd 3.85p
Technology for Business 7pcPf 3.5p
Travis and Arnold 7pcPf 2.45p
Wade Potteries 10pcPf 5p
Wagon Indst 3½pcPf 0.875p

PARLIAMENTARY DIARY

TODAY

Commons: Petroleum Bill, Second Reading. Debate on a Government motion taking note of European documents related to draft budgets for 1986 and 1987.

Select Committees: Foreign Affairs — subject: ODA's bilateral aid country programmes. Witness: Professor Robert Cassen (Room 15, 4.30 pm). Treasury and Civil Service—subject: VAT harmonisation. Witnesses: Customs and Excise, and Treasury officials. (Room 8, 4.45 pm).

TOMORROW

Commons: Coal Industry Bill, Second Reading. Motions on Parliamentary Constituencies (Wales) (Miscellaneous Changes) Order 1986.

Lords: Pilotage Bill, Second Reading. Debate on the EEC report on privileges and immunities of MEPs. Unstarred question on the safeguarding of the British art market within the EEC.

Select committees: Education, science and the arts—subject: student awards. Witnesses: Association of University Teachers; Committee of Directors of Polytechnics; Committee of Vice Chancellors and Principals. (Room 15, 10 am).

WEDNESDAY

Commons: Opposition debate on the effect of bus deregulation, followed by a debate on the dispute at J. E. Hanger and Co. Motion on Suppression of Terrorism Act 1978 (Application of Provisions) (USA) Order. Debate on EC document on tourism.

Lords: Debate on the arts, followed by a debate on the state of academic medicine. Unstarred question on legislation to ban the sale and manufacture of new tobacco products.

Select committees: Scottish Affairs—subject: hospital provision. Witness: Scottish TUC (Room 19, 11 am). Home Affairs—subject: prisons. Witness: NACRO. (Room 5, 4.15 pm). Social Services — subject: primary health care. Witnesses: Institute of Health Services Management; National Council for Voluntary Organisations; Dr Robert Lefever (Room 21, 4.15 pm). Environment—subject: Property Services Agency. Witnesses: MoD officials (Room 20, 4.30 pm).

THURSDAY

Commons: Criminal Justice Bill, Second Reading.

Lords: Family Law Reform Bill, Second Reading. Motion on the Function of Traffic Wardens (Scotland) Amendment Order 1986.

Select committees: Agriculture—subject: the effects of pesticides on human health. Witness: The British Toxicology Society (Room 16, 10.45 am).

FRIDAY

Commons: Banking Bill, Second Reading.

A FINANCIAL TIMES SURVEY
SCIENCE PARKS
The Financial Times proposes to publish a survey on the above on TUESDAY, DECEMBER 9 1986
For further information please contact:
ANTHONY HAYES
Financial Times, George House
George Road, Edgbaston
Birmingham B15 1PG
Tel: 021-454 0922
FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Trade fairs and exhibitions: UK

November 25-28 International Pharmaceutical Cosmetics, Toiletry and Allied Industries Exhibition—INTERPHEX (01-891 5051) Met Exhibition Hall, Brighton

November 25-27 People and Technological Change—Investing in Europe's Future Exhibition (01-727 1929) Queen Elizabeth II Conference Centre SW1

November 25-29 World Travel Market (01-661 4900) Olympia

November 30-December 4 Royal Smithfield Show (01-235 0315) Earls Court

December 2-4 International Trade and Services Exhibition and Conference (01-727 1929) Barbican Centre

December 3-5 Mining Methods Exhibition (0632 77531) Harrogate

December 5-19 UK Tax Congress/Tax Fair (04868 21231) Wembley Conference Centre

January 7-11 London International Boat Show (0932 54811) Earls Court

January 8-11 Holiday and Travel Fair (021-780 4171) NEC, Birmingham

January 10-15 Harrogate International Toy Fair (01-226 6553) Exhn. Centre, Harrogate

Overseas

November 24-28 International Hotel and Catering Trade Fair—HOGATEC (01-493 3893) Dusseldorf

November 25-27 Offshore Industries Exhibition and Conference (01-437 2175) Amsterdam

November 27-December 2 International Agricultural Equipment Services and Technology Exhibition (01-891 5051) Beijing

November 29-December 7 Handicrafts in the Domestic Sphere Exhibition—Heim & Handwerk (01-486 1951) Munich

December 4-7 Autumn and Winter Ready-to-Wear Fashion Fair—PORTEX (01-493 0212) Porto

December 4-7 ICAF/LA 86—International Contemporary Art Fair (01-486 1951) Los Angeles

December 9-14 International Home Improvement Techniques Exhibition—AMELBAT (01-439 3964) Paris

December 10-16 International Food, Pharmaceutical Processing and Packaging Exhibition (01-236 2399) Guangzhou

January 13-18 International Furniture Fair (01-930 7251) Cologne

Business and Management Conferences

November 24-25 Management Horizons: 18th International Association for the Distribution of Food Products and General Consumer Goods (AIDA) Symposium on purchasing and services—a new dimension (01-891 0245) Hotel Sheraton, Munich

November 25-27 MSC/EEC: People and technology — investing in training for Europe's future. (01-727 1929) Queen Elizabeth II Conference Centre, SW1

November 26 Institute of Taxation conference on retirement and capital tax planning (01-235 8847) RAF Club, W1

November 27-28 London Conferences: International conference on community architecture, planning and design (01-733 2189) Astoria Theatre, London

December 1-2 FT Conferences: World Telecommunications (01-621 1355) Hotel Inter-Continental, W1

December 2 The Royal Aeronautical Society: The Airports Act—its effect on the air transport industry and users (01-499 3515) 4 Hamilton Place, W1

December 3-4 British Venture Capital Association/FT: Venture capital financial forum (01-621 1355) Hotel Inter-Continental, W1

December 4 Institute of Directors: Effective remuneration, current practice—future trends (01-839 1233) 116 Pall Mall, SW1

December 5 The Institute for Fiscal Studies: The Future of European Community Finance (01-636 3784) Park Court Hotel, W2

December 5 IBC: Back office systems after Big Bang (01-236 4080) The City Conference Centre, EC3

December 8 IBC: Accessing the US equities market (09323 53244) Inter-Continental Hotel, W1

December 8-9 Royal Institute of International Affairs: Energy 1985—lessons from turmoil (01-930 2233) Chatham House, SW1

December 9 The Institute for Fiscal Studies: Privatisation and regulation (01-636 3784) St Ermins Hotel, SW1

December 9 The Builder Group Building in partnership (01-353 2300) Hilton Hotel, W1

December 9-10 Hawkedon Partnership: Subsea '86 Conference: Designing for Subsea; current and future trends (060684 252) Heathrow Penta

December 9-11 FT Conferences: The twelfth world banking conference (01-621 1355) Hotel Inter-Continental, W1

December 10 CBI: Finding money in Brussels (01-379 7400) Centre Point, WC1

December 10 Business Briefings: New working patterns (01-381 1284) London West Hotel, SW5

December 11-12 FT Conferences: World pulp and paper conference (01-621 1355) Hotel Inter-Continental, W1

December 16 CBI/International Finance Corporation: Investment opportunities in developing countries (01-379 7400) Centre Point, WC1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

NOTICE OF EARLY REDEMPTION

New Zealand Steel Development Limited
(Incorporated in New Zealand under the Companies Act 1955)

U.S.$300,000,000
Guaranteed Floating Rates Notes 1992
unconditionally and irrevocably guaranteed by
New Zealand

Notice is hereby given to the Noteholders that, in accordance with Condition 3(c) of the Terms and Conditions of the Notes, the Company will redeem all of the outstanding Notes on the next interest payment date falling on 24th December 1986 (the "Redemption Date").

The Notes will be redeemed at their principal amount plus interest accrued to the redemption date, when interest on the Notes will cease to accrue.

Payments of principal and accrued interest will be made on or after the redemption date at the specified office of the Paying Agents listed below, against surrender of the Notes with all unmatured Coupons attached. Coupon No. 8 maturing on 24th December 1986, should be presented for payment in the usual manner.

Paying Agents
Bankers Trust Company
Dashwood House
69 Old Broad Street
London EC2P 2EE

Bankers Trust Company
Corporate Trust and Agency Group
Four Albany Street
New York NY 10015

Banque Indosuez Luxembourg
39 Allee Scheffer
Luxembourg

Swiss Bank Corporation
1 Aeschenvorstadt
CH-4002 Basle

Notes and Coupons will become void unless presented for payment within a period of ten years in the case of the Notes and five years in the case of the Coupons from the Redemption Date.

Bankers Trust Company, London
Principal Paying Agent

24th November 1986

NOTICE

To the Holders of

Dayton Hudson Corporation

10⅝% Notes Due November 7, 1995

NOTICE IS HEREBY GIVEN THAT the Fiscal Agency Agreement dated as of November 7, 1985 between Dayton Hudson Corporation and Morgan Guaranty Trust Company of New York, as Fiscal Agent, pursuant to which the Dayton Hudson Corporation 10⅝% Notes due November 7, 1995 (the "Notes") were issued, has been amended by the First Amendment and Supplement thereto, dated as of September 9, 1986 (the "Amendment"). The Amendment provides a mechanism for the payment of interest on the Notes that becomes due and payable prior to the exchange date for the issuance of definitive securities.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Fiscal Agent

Dated: November 24, 1986

WORLD STOCK MARKETS

AUSTRIA

1986 High	1986 Low	Nov. 21	Price Sch
2,850	2,190	Credit'nst'lt pp	2,230
3,850	3,075	Goesser	3,320
16,000	12,700	Interunfall	13,400
21,750	11,000	Jungbunzlauer	11,710
2,475	1,950	Laenderbank	2,225
795	580	Perlmooser	600
211	150	Steyr Daimler	158
12,500	8,850	Veitscher Mag	11,096

BELGIUM/LUXEMBOURG

1986 High	1986 Low	Nov. 21	Price Frs.
3,600	2,990	B.B.L.	3,050
16,550	9,600	Banq. Gen. Lux.	16,200
17,000	9,400	Banq. Int.A.Lux.	14,900
14,500	8,250	Bekaert	11,075
4,660	2,640	Ciment CBR	5,850
195	120	Cockerill	174
5,240	1,662	Delhaize	2,843
4,940	3,680	EBES	4,736
17,550	10,426	Electrobel	14,956
2,700	1,690	Fabrique Nat.	1,870
8,950	3,580	GB Inno BM	6,600
4,825	2,695	GBL (Brux)	3,716
6,800	4,310	Generale Bank	5,810
6,850	4,750	Gevaert	6,010
6,165	5,700	Hoboken	7,800
3,995	2,860	Intercom	3,760
4,450	2,430	Kredietbank	4,150
11,650	9,900	Pan Holding	10,750
[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

NORWAY

[illegible]

NETHERLAND

[illegible]

SPAIN

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

SINGAPORE

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

HONG KONG

[illegible]

SWEDEN

[illegible]

JAPAN

[illegible]

ITALY

[illegible]

CANADA

TORONTO

Closing prices November 21

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 21

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 21

Continued from Page 37

[illegible]

Indices

NEW YORK

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

N. AMERICAN QUARTERLY RESULTS

[illegible]

CANADA DEVELOPMENT CORP.
Investment holding

Third quarter	1985 C$	1986 C$
Revenue	619.1m	725.5m
Net profits	†26m	†13.2m
Net per share	†1.01	†0.73
Nine months		
Revenue	2.06bn	2.3bn
Net profits	†22.2m	52.9m
Net per share	†1.74	0.36

†Loss

F W WOOLWORTH
Retailer

Third quarter	1986 $	1985 $
Revenue	1.6bn	1.47bn
Net profits	48m	38m
Net per share	0.73	0.60
Nine months		
Revenue	4.48bn	4.11bn
Net profits	97m	71m
Net per share	1.47	1.11

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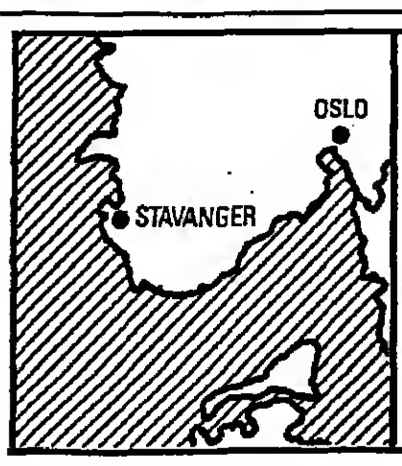

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Norway Tel:(2)684020

Closing prices, November 21

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	15	AAR s	.44	1.9	17	46	23	22⅞	23	+½
30	21¾	ADT	.92	3.5		z90	26⅛	25¾	26⅛	+⅜
33	14½	AFG s	.12b	.4	13	1791	27⅜	26¾	27⅜	+½
28⅝	16¾	AGS			16	71	24½	24¼	24⅜	−⅛
15	7¾	AMCA				11	7⅞	7⅞	7⅞	−⅛
62⅛	38¾	AMR			13	2787	56⅞	55¾	56⅝	+½
16¾	16	ARX	.71t	6.5	16	80	10⅞	10⅝	10⅞	+½
41½	26¾	ASA	2a	5.7		863	35⅞	34⅞	35⅛	−⅝
18⅝	9¾	AVX		2.7		152	11⅞	11⅝	11¾	+½
32	25⅛	AZP	2.72	9.5	6	816	28¾	28⅝	28½	
55	30¼	AbtLb s .84		1.0	21	5832	47⅞	45⅞	47⅝	+1½
32	23⅝	AccoWd.56		2.1	17	173	26½	26⅜	26¾	−½
14⅞	9	AcmeC .40		3.8		389	10⅝	10⅛	10½	
9¼	6¼	AcmeE.32b		4.0	17	8	6½	6⅜	6½	+¼
23⅞	17½	AdaEx 4.45e		22.		77	20⅝	20⅜	20⅝	+⅛
33⅝	19	AdmMl .46		1.7	13	38	27¾	27¼	27½	
20⅝	12⅛	AdvSyst.45t		9.4	14	20	15⅝	16	15⅝	+⅜
32⅞	12⅞	AMD				2711	15¾	15⅛	15¾	+⅜
12⅝	5¼	Adobe				59	9¼	8	8	−½
18⅝	13¾	Adob pf 1.84		12.		25	16	16	16	
20¼	16⅝	Adob pf 2.40		14.		35	17¾	17⅝	17¾	
18⅝	9⅝	Advest .12a		.9	10	292	13⅞	13⅝	13⅞	+½
66¼	49⅞	AetnLf 2.64		4.7	8	5029	56¼	54¼	56⅛	+1⅝
58⅝	51½	AetL pf4.69e		8.9		261	52⅞	52⅝	52⅝	−¼
28¾	12⅛	Ahmans .40		2.3	6	8162	20½	19⅝	20⅛	+¼
6¾	2⅝	Aileen			46	83	3¼	3⅛	3¼	+⅛
41⅝	28¾	AirPrd s .80		2.3	438	2966	38½	34½	38	+⅛
88	19	AirbFrt .60		2.1	20	1956	29⅝	28⅝	28⅝	+⅛

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
72¼	46⅝	Xerox	3	5.1	13	3775	59½	57⅞	59½	+⅞
58¼	54	Xerox pf5.45		9.5		38	57⅛	57¼	57¼	
26¾	20¾	XTRA	.64	2.8		169	23⅝	22¼	23⅛	+½
18¾	13⅞	Yorkin n				243	17	16⅞	17	−⅛
45¾	28⅞	ZaleCp 1.40		3.2		1685	44¼	42¾	43½	+1½
9½	2¼	Zapata	.00j			180	2½	2⅝	2⅝	−⅛
43⅞	20¾	Zayre s	.32	1.2	18	3449	26½	25⅝	26	+¾
17	9¾	Zemex	.40	3.3	13	43	12⅝	12⅛	12¼	
29⅞	17⅞	ZenithE				446	21⅛	20⅝	21	+¾
18¼	8	ZenLb s			63	812	10⅛	9⅞	10	−⅛
22⅝	12⅝	Zero s	.20	2.1	14	98	14	13⅝	14	+⅛
45¾	32¾	Zurmin 1.32		3.4	16	40	39¼	38⅞	38⅞	+¼
10⅝	8½	Zweig n				361	8⅞	8¾	8¾	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

UK COMPANY NEWS — IN-DEPTH REPORTING DAILY IN THE FT

AMEX COMPOSITE CLOSING PRICES

Closing prices November 21

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 21

Continued on Page 35

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures may test dollar and sterling

TRADE FIGURES are likely to provide a test for the dollar and sterling this week. Fairly large deficits are expected for both the US and UK, and if the latest forecasts are reasonably accurate and short term prospects for the dollar and pound do not look very encouraging.

If the dollar is to show any recovery the extremely large US trade deficit must be reduced. In September the figure was at least moving in the right direction, falling to $12.56bn, from $14.08bn in August and $16bn in July, but forecasts for October, to be released on Wednesday, are a rise to around $14bn.

Estimates of tomorrow's October UK trade figures vary quite widely. According to a survey conducted by Money Market Services the median forecast is for a visible deficit of £700m and a current account shortfall of £100m, but stockbrokers James Capel expects a visible trade deficit of £1.17bn, and e current account deficit of about £570m.

On the other hand County NatWest Gilt-Edged Securities is looking for a UK visible trade balance of minus £800m, fairly near the MMS median, but still little better than September's disappointing shortfall of £877m.

The most recent International Financial Outlook published, by Lloyds Bank, began with the statement "The UK balance of payments has been the major influence depressing the sterling exchange rate in recent weeks." Tomorrow's figures could therefore prove an important test for the pound.

On Friday Barclays Bank said the failure to take sterling higher could well leave the market with no alterantive but to test the downside again, with $1.41 the first support.

Apart from the economic situation the market is also rather nervous about the UK political picture, in the light of ellegations about a security cover up, and speculation about a general election next spring.

Midland Baok in its November Market Review forecasts that sterling will be steady against the dollar during the next six months, and et the end of the period stand et $1.43. Io terms of the D-Mark the bank expects the pound to have slipped to around DM 2.80, and believes sterling interest rates in six months will have eased to about 10½ per cent.

Lloyds Bank sees base rates et 10 per cent at the end of June oext year, and forecasts the pound could move up to $1.43 by the end of this year but will then fall back to $1.39 by the end of June, and to DM 2.50 agaiost the D-Merk.

If sterling's position is somewhat uncertain the same is equally true of the dollar. Midland Bank expects the US corrency to be at DM 1.95, but little changed at Y180 in six months. Lloyds Bank suggests rates at the end of Juoe will be DM 1.80 and Y150. Both banks forecast that US interest rates will be little chenged at eroued 6 per cent.

Apart from Wednesday's trade figures the other important US statistics to be released this week will be tomorrow's consumer prices index and durable goods orders for October. MMS forecasts the CPI to rise 0.2 per cent and durable goods to fall 1.2 per cent.

Last week's main announcement was revised third quarter US gross national product growth. This was revised up to 2.9 per cent from 2.4 per cent, boosted by Federal Government purchases and residential investment.

But the market was not impressed, and the dollar remeined in a narrow range.

£ IN NEW YORK

Nov 21	Close	Previous Close
£ Spot	1.4195-1.4200	1.4140-1.4150
1 month	0.64-0.62 pm	0.56-0.55 pm
3 months	1.80-1.77 pm	1.82-1.80 pm
12 months	6.70-6.60 pm	6.73-6.65 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2770	+0.38	+1.07	±1.5368
Danish Krone	7.81701	7.87112	+0.69	+1.38	±1.6403
German D-Mark	2.11083	2.08194	−1.37	−0.68	±1.1127
French Franc	6.87316	6.81596	−0.83	−0.14	±1.3659
Dutch Guilder	2.37833	2.35197	−1.12	−0.43	±1.5059
Irish Punt	0.764976	0.765250	+0.04	+0.73	±1.6683
Italian Lira	1476.95	1441.88	−2.37	−1.97	±4.07[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Dec.	Jan.	Feb.	Mar.	Puts—Last Dec.	Jan.	Feb.	Mar.
1.30	11.38	11.38	11.38	11.38	0.00	0.05	0.22	0.46
1.35	6.38	6.38	6.38	6.38	0.05	0.45	0.98	1.52
1.40	1.90	2.38	2.64	2.82	0.90	2.01	2.89	3.67
1.45	0.20	0.64	0.94	1.15	4.20	5.27	6.19	7.00
1.50	0.01	0.11	0.25	0.38	9.01	9.74	10.50	11.23
1.55	0.00	—	—	0.10	14.00	—	—	15.95
1.60	0.00	—	—	0.02	19.00	—	—	20.87

Estimated volume total, Calls 105 Puts 15
Previous day's open int. Calls 2,543 Puts 2,932

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Dec.	Jan.	Feb.	March	Puts—Last Dec.	Jan.	Feb.	Mar.
1.35	6.60	6.50	6.60	6.60	0.25	0.60	1.05	1.55
1.40	1.95	2.55	2.85	3.15	0.95	2.10	2.90	3.60
1.45	0.25	0.70	1.05	1.30	4.30	5.40	6.20	6.90
1.50	0.25	—	—	0.50	9.15	—	—	11.30
1.55	0.25	—	—	0.45	13.70	—	—	16.10
1.60	0.25	—	—	0.25	18.70	—	—	20.90
1.65	0.70	—	—	1.50	18.70	—	—	20.20

Previous day's open int: Calls 2,296, Puts 1,001
Volume: 6

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4225	1.4162	1.4044	1.3863	1.3563

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 42.15-42.25.

MONEY MARKETS

Growing mood of nervous uncertainty

INTEREST RATES were little changed in London last week. There was plenty for the market to mull over but nothing for it to act on. The most notable trend was a firming of longer term rates, but three-month interbank remained around the 11¼ per cent level, underpinning the present base rate level of 11 per cent.

The rise to about 11½ per cent in the longer end of the market reflected a growing mood of nervous uncertainty. In an interview with the Financial Times Mrs Margaret Thatcher, the Prime Minister, ruled out early UK membership of the European Monetary System, and did not envisage any move at least until after the next general election.

UK clearing bank base lending rate 11 per cent since October 15

Sterling suffered on this news, but later in the week Mr Nigel Lawson, the Chancellor, told a House of Commons committee he did not wish to see a further fall in the value of sterling.

Dealers took this to indicate that if the pound was not to weaken interest rates might have to rise, in spite of recent speculation about e spring general election.

The Gallup opinion poll showing the Labour Party in a 3.5 percentage point lead over the Conservatives did not help sentiment, while the main economic announcements had little or no impact.

The October Public Sector Borrowing Requirement of £9m was encouraging, but since forecasts for the figure had varied so widely, between a borrowing of £750m to e net repayment of £500m it was hard to tell just how encouraged the market should be.

Thursday's money supply figures for October were distorted by the TSB Group share issue, and were almost impossible to interpret, because they were the first figures based on e calendar month, and lacked any meaningful comparison.

Fears about the vulnerability of the pound left dealers wondering whether a rise in bank base rates to 12 per cent was becoming a strong possibility and would be welcomed by the new market makers. Gilts have not performed well since last month's Big Bang in the City, but a rise of 1 per cent in base rates, which was seen as temporary, could be the start of a bull market.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.21) 3 months U.S. dollars		6 months U.S. dollars	
bid 6	Offer 6⅛	bid 5 15/16	Offer 6 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
		One month	5.02	Three year	6.39
		Two month	5.35	Four year	6.59
Prime rate	7½	Three month	5.51	Five year	6.72
Broker loan rate	7-7⅛	Six month	5.63	Seven year	7.00
Fed. funds	5⅞	One year	5.76	10 year	7.16
Fed. funds at intervention	5 13/16	Two year	6.23	30 year	7.44

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

... Capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

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Financial Times Conferences

World Banking

London — 9, 10 and 11 December, 1986

The 1986 FT World Banking conference comprises three separate but connected devs. December 9 is devoted to the management of change in financial institutions. Senior executives who have developed successful strategies and consultants with extensive experience in the area have been invited by the FT to examine the problems they have faced and discuss the solutions they have produced and the day includes a paper by Mr Brien Quinn of the Bank of Englend. Mr Stanislas Yassukovich chairs a most distinguished platform on December 10, when the proceedings are devoted primarily to investment banking. The keynote address is to be delivered by Mr Sam Cross of the Federal Reserve in New York who is making his first appearance at an FT conference and other speakers include The Rt Hon David Owen, MP and Mr John Plender, Leader and Feature Writer of the FT. Commercial banking is the area for primary coverage on December 11 and the day focuses attention on a number of significant profit opportunities. The Chairman of Abbey National, Sir Campbell Adamson, will look at the competition to be expected in the British markets from the building societies and other speakers include Mr George Fitchew, Director General of DG XV at the EEC: Mr K Price, Chief Executive Designate of Chloride Group plc and The Rt Hon John Smith, MP.

World Pulp & Paper Conference

London — 11 and 12 December, 1986

The internationalisation of the pulp and paper industry and, with increasingly competitive markets, the impact of rationalisation will be the central themes of the Financial Times seventh Pulp & Paper conference. This 1986 event, to be chaired by John Worlidge and David Clark, will bring together a prestigious panel of speakers including William I M Turner Jnr, Dr Hartwig Genginat, Erling S Lorentzen, Fumio Tanaka and Bo Wergens to consider the outlook for the industry to the 1990s and the changing world markets.

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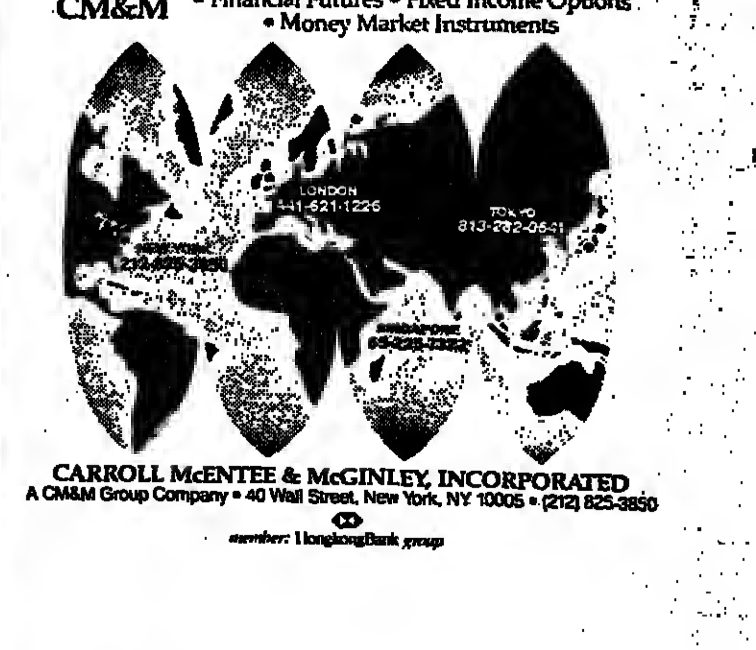

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SECTION III

FINANCIAL TIMES SURVEY

This survey is en integral part of the Financial Times and is not for sale separately

Commercial Vehicles

A quarter of Europe's truckmaking capacity has been cut back to match present demand. The loss of key export markets has persuaded some medium-sized manufacturers to gain economies of scale through joint ventures.

Fight for return on investment

By Kenneth Gooding, Motor Industry Correspondent

The merging of Ford and Iveco's UK operations is evidence of the continuing restructuring which is taking place among manufacturers.

THIS IS THE year when the two US multi-nationals, General Motors and Ford, the largest and second-largest automotive groups in the world, admitted defeat and quit the West European heavy truck industry.

The lack of potential growth and extremely intense competition from the European and Scandinavian producers forced the two American groups to conclode they would not be ahle to make e reasonahle return on any investment in new heavy trucks.

Ford has sold its European truck factory at Langley in the UK to a company in which it has retained only a 49 per cent shareholding. Iveco, the Fiat suhsidiary, also has 49 per cent—as well as management control and responsihility for developing future products.

GM was not so suhtle. It simply announced that it is to give up making Bedford medium and heavy trucks by the eod of this year. Once again the impact is felt mainly in the UK; Bedford is hased at Luton in Bedfordshire.

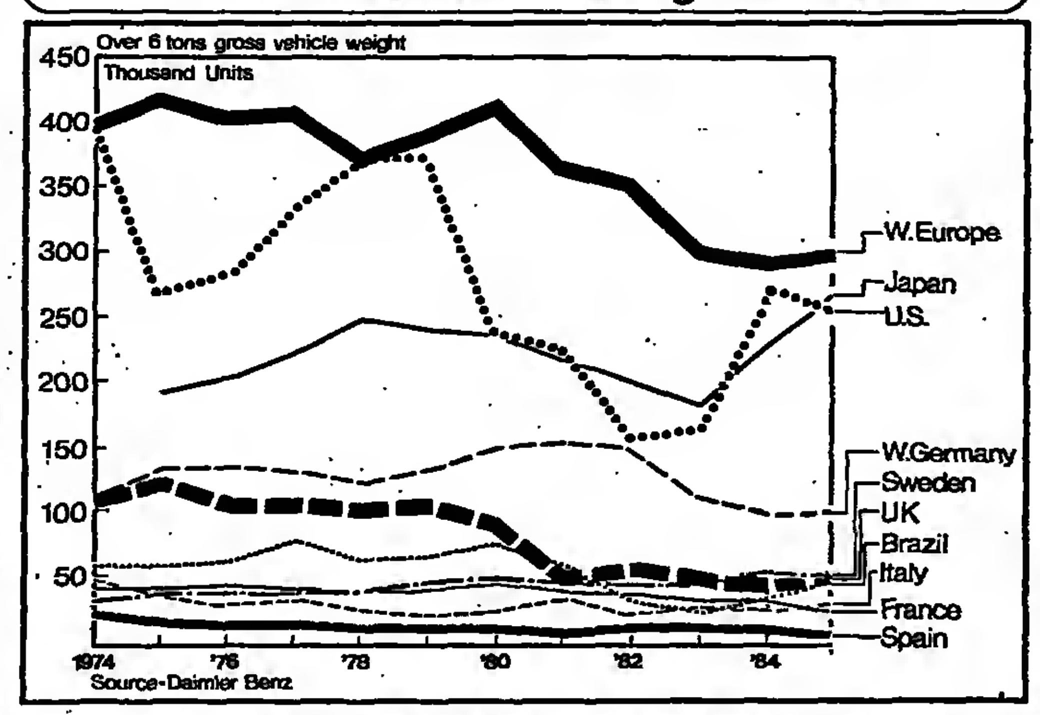
GM also decided to give np making heavy trucks in North America but Mr Harold "Red" Poling, Ford's president, says his company has increased its penetration of the US Class 8 (heevy truck) market each yeer for the past three years and is in no mood to qnit there.

Io the US, GM is ahout to transfer its heavy truck husiness to a company in which Volvo of Sweden, which alresdy owns White Trucks in the US, will hsve both a majority shareholding and menagement control.

Further restructuring of the industry is widely expected. In Europe the UK government has put np a clear "for sale" sign at Leyland Trucks and the Spanish government has done the same at Enasa. (However, the French government seems intent on keeping Renault Vehicles Industrial es its "national champion" hut has given firm instructions that the company must qnickly be hrought back to profitahility).

Mr John Lawson, automotive specialist and managing director of the DRI Europe forecesting group, says: "Most industry restructuring occors not at the bottom of a recession hut at an early stage of recovery when there is some financial logic in the acquisition of additional assets."

Truck Production in Leading Countries



Mr Peter Rupp, chief executive of Freightliner, the Daimler-Benz suhsidiary in the US, forecasts: "America will see more mergers in all sectors of the truck business, not just Class 8 now that the Japanese are coming in."

However, Mr Thage Berggren, Volvo White's chief executive, says that Class 8 will be the main sector to watch and that 1988 will be the crucial year.

That is when new noise and emissions regulations for trucks come into effect and "a lot of long-term investment decisions hased on the potential future profitability of the heavy-dnty truck business will come into play," Mr Berggren says.

Both Western Europe and North America—the world's two largest markets for heavy trucks and of about the same size—are still suffering a hangover from the huoyant conditions at the end of the 1970s.

In the euphoria of that time it was predicted that truck sales would continue to climb steeply so the manufacturers installed new production capacity—eoough for 200,000 trucks a year in North America.

In Western Europe, where the prodncers also had the benefit of hig export orders, cspacity was lifted as high as 600,000, according to Mr Steo Langenius, president of Volvo Truck Corporation.

But world demand instead of rising, collapsed from about 520,000 heavy trucks in 1979 to only 350,000 in 1983 as one after the other key export markets in the Middle East and Africa ran ont of foreign currency to pay for imports.

According to Scania, annual world demand for heavy trucks—those over 15 tonnes gross weight—has now stabilised at ehout 400,000.

Most observers would agree with Mr Charles "Chuck" Pigott, president of Paccar, the Kenworth and Peterbllt trucks group, who believes thet, within the overall world total, replacement demand will keep heavy truck sales in the US et between 110,000 and 130,000 e year.

Casting his net a little wider, DRI'a Mr Lawson suggests that this year production of trucks over 6 tonnes gross weight in Western Europe will fall a tittle, from 294,000 in 1985 to 289,000.

Volvo's Mr Langenlus suggests the European producers heve the cepacity to produce 100,000 more heevy trucks a year than they need and the excess capacity is spread through the UK, Germany, France, Italy and Spain.

About one quarter of truck manufacturing cepacity has been eliminsted in Western Europe since the beginning of the 1980s as Leyland in the UK, MAN io West Germany and Iveco in Italy, France and Germany, cut back to metch expected demaod. The Bedford closure takes another nominal 30,000 trucks a year out of Europe's production capacity.

However, the Intense price war in the heavy truck market still hursts out at times. This year the worst excesses hsve again been seen in France because the state-owned domestic producer, RVI, nnder no circumstances will permit its market share to fail much below 40 per cent – at which point it feels its dealer network would be io danger and vulnerahle to attack hy importers.

Even so, some relatively strong European groups have emerged from the recession to join Daimler-Bens which could rely on its lucrative car operations to carry it through.

Iveco, second-largest of the West European groups, has not only estahlished e solid foothold lo the UK (via the Ford deal) as well as io Italy, France and West Germany, but also expects to donhle its profits this year.

RVI, third among the European heavy truck groups, can see the light at the end of the loss-making tunnel and the new management team is certain it will be trading profitahly by the end of next year.

Among the medium-sized groups, MAN in West Germany has made a swift recovery from losses after major surgery. And some observers suggest it will not take mnch in the way of extra output to hring Leyland in the UK to hreak-even.

Leyland and other medium-sized companies believe that the way to gain the economies of scsle availahle to their bigger rivals is through co-operative ventures, more purchsses from outside suppliers end closer co-operation with component producers.

For example, MAN and Eaton, the US components group, are jointly to manufacture truck axles, and DAF and Leyland recently concluded a deal for the Netherlands company to distrihute through its continental dealer network vans and medium trucks supptied by Leyland from the UK.

Meanwhile, there is growing nervousness among the manufacturers ebout de-regulation of transport as the European Community heads towards the goal of free movement of goods hetween member countries by 1992.

West Germany, Spain, and to some extent France, will feel the greetest impact as their netional regulations are removed. Some estimetes suggest, for example, that tariffs on West German routes are about 30 per cant above competitive levels.

As yet, the Europeans can only guess what might bappen. They can, however, look towards the US where de-regulation took effect recently, to see if there are any lessons to be learned.

The US haulage industry was very closely supervised by the Inter-state Commerce Commission which regulated eotry to the indnstry, along with the markets served, commodities carried, routes to be used and endless other details.

This has beeo hlown away by Federal decree on the view thst all this regualtion has produced a remarkahly inefficient haulage industry in America.

For example, general hauliers, who could carry loeds for anyone, have been running trucks fully loaded only 10 per cent of the time and at least 30 per cent of the time trailers were completely empty.

Private carriers, who were permitted to shift only their own goods, ran fully loaded only about half the time because it

Continued on Page 2

Contents

THE NEXT CHAPTER HAS BEGUN.

TRANSIT number one rolled off the Ford production line in 1965. Last year the astonishing figure of 2,000,000 was reached.

Now the next chapter has begun.

EVOLUTION NOT REVOLUTION.

Ford have combined all the most successful features of the last twenty years with all the latest knowledge and technology.

They've produced a Transit that's even more economical, yet has far greater loadspace and better load access. A vehicle with a higher level of comfort, but one that is even more rugged, even more reliable.

THE CLASSIC DESIGN CONCEPT.

The design concept is a classic. The cab, engine and loadspace are located in three separate compartments, so no one element interferes with the others.

Rear wheel drive is featured on all models, while for the first time short wheelbases have independent front suspension.

And to cut maintenance costs, self-adjusting mechanisms and lubricated-for-life components have been included in the design. Even the bonnet hasn't been overlooked – it opens higher and wider for easier access to the engine.

STRETCHING FUEL ECONOMY BOUNDARIES.

Ford have also made the new Transit cheaper to run.

Aerodynamics have been improved dramatically giving it a drag co-efficient that few others can equal. And the engines are among the most reliable and cost efficient on the road.

Add all this to the versatility and economy of Ford's own gearboxes and you've got a cost-cutting combination.

TAKING LOADSPACE INTO ANOTHER DIMENSION.

As for loadspace, the new Transit boasts even more than its illustrious predecessor.

The long wheelbase features a semi-high roof with 297 cubic feet of loadspace – a 13.5% improvement. The short wheelbase has 11% more room than before with 202 cubic feet. But short wheelbase models also offer a semi-high roof option, boosting the overall loadspace improvement to 22%.

Access has also been improved.

The rear doors are up to 9" taller and rear loading width is up to 5½" greater. And there's a new low-effort, sliding side-door available that can easily swallow a metre-wide pallet.

LEAVING YOUR OPTIONS OPEN.

Needless to say the new Ford Transit is a very versatile vehicle. It's available in van, chassis cab, bus and crew-bus models with a choice of seven payloads and three different wheelbases.

With over a thousand Ford dealers spread across the country your options are also open when it comes to arranging a test drive.

In the Ford Transit success story, the next chapter has begun.

Ford

THE NEW FORD TRANSIT

Commercial Vehicles 2

The UK

Hard race to fill the vacuum

THE VACUUM left by the withdrawal of Bedford from the UK's commercial vehicle market is going to be the biggest single influence on it in the next 12 months. It will, of course, be a once only chance for other manufacturers to increase sales and market share, so a fierce fight over Bedford's share can be expected.

The eyes of three manufacturers in particular, Renault Truck Industries (RTI), Leyland and Iveco Ford, are set on the market left by the Bedford closedown. In fact, Iveco Ford in particular has made no bones about its hopes in that regard. It plans "to pick up a large slice of the market vacated by Bedford," in the words of Mr Adam Fox, its commercial operations director, while speaking at the launch of the company's 1987 model programme in London recently.

So far, however, only one traditional Bedford buyer has shown its hand on future purchases. This is Bunzl Transportation which has plumped for Leyland. This company, formed by the takeover of United Parcels by Bunzl Plc, announced at the Birmingham Motor Show its intention of changing its local collection and distribution fleet to Leyland vehicles over the next three years.

Bunzl's rigid (as opposed to articulated) fleet currently consists of 1,300 vehicles which are mainly Bedfords. These are to be replaced by a mixture of Leyland Roadrunners and Freighters; the order will be worth more than £20m to Leyland over the replacement period.

Leyland dealers are certainly looking to capitalise on the Bedford demise. While saddened by the event, Mr Sam Newton, chairman of the Leyland Truck Distributors Association, recently remarked that Leyland must seize the commercial opportunity afforded by Bedford's withdrawal. "We must have to be looking to pick up Bedford's 10 per cent share of the market," he said.

Fortunately for Leyland, its best model ranges are those which are the volume areas for Bedford. At 16 tonnes gvw, Leyland's Freighter design, judged by an independent panel as "Best Fleet Vehicle of the Year" in 1986, must have a good chance of picking up a substantial part of the existing Bedford share. Leyland is leader in this sector with about 20 per cent of the market.

Last year, Leyland's registrations in this category came to just over 2,000 vehicles. Bedford, with just under 1,000 (10 per cent share), had dropped behind Mercedes, Volvo and Ford but its chunk of the market is well worth having.

Leyland should also do well with its new Mk II Roadrunner which competes in the important sector where a heavy goods vehicle driving licence is not required by the driver. The Mk I version of the Roadrunner, although a good machine, did not receive the level of sales that Leyland had hoped. Nevertheless, between the launch in September 1984 and the end of July this year, Leyland had sold 4,460 Roadrunners.

Leyland's Freighter: a new fleet order for Freighters and Roadrunners is worth more than £20m.

Apart from its share of the 16 tons gvw market, Bedford's heavy goods vehicle sales are largely in the classes between 3.5 and 15 tons. Fewer than 200 vehicles were sold by Bedford in the categories over 16 tons in 1985 but there were about 4,800 Bedfords registered of 15 tons gvw or less. This is the volume sector of the market.

About 30 per cent of all trucks sold in the UK fall into the 6-10 tonne bracket covered by the new Roadrunner range. In that bracket, the 7.5 tonne sector is now by far the most important, accounting for 26 per cent of all trucks sold in the UK, or more than one in four.

Ten years ago the figure was one in 20, the growth of the 7.5 tonne gvw sector being due to the legal change in 1976 which made 7.5 tonnes the upper limit for a normal car licence.

The Mk II Roadrunner features a number of improvements which should make it sell well. DAF has been sufficiently impressed that it has reached agreement with Leyland to sell it in selected European markets badged as a DAF.

Leyland has made particularly strong efforts in the past three or four years to retain and expand its local authority fleet sales where Renault's Dodge designs have a healthy following. Accordingly, it is here particularly that RTI is hoping that its Dunstable-built products will pick up business from former Bedford customers.

RTI recently took pains to allay fears that it, too, because of its level of losses, could pull out of the UK market.

Herve Guillaume, director of commercial operations of Renault Vehicules Industriels (RVI) and chairman of RTI, says that RTI's aim is to achieve a profit and its UK operations would not be subject to "the extreme solution." Renault, he says, is looking to gain from the decision to close the GM Bedford operation.

He points out that RVI has spent £100m on creating a new model programme for Britain and although the UK operation still loses money (FFr 100m or £10m in the last financial year), it is recognised that this has to be changed as soon as possible.

Although with its combined ranges, Iveco Ford has a formidable model line-up, it largely rests on the Ford Cargo range which has steadily slipped in terms of market share. An unknown quantity is the enthusiasm of the Iveco Ford dealers in selling the joint range. The company has appointed 107 dealers at the last count with 115 scheduled to form the complete network.

A total of 25 former Iveco dealers and 16 Ford dealers lost their franchises in the reorganisation. These numbers, added to Bedford leader losses, are making for an unsettled situation among truck dealers.

The Bedford factor is not likely to make much change in the market pattern regarding big truck sales (16 tons and over). The importers now largely dominate these market sectors with UK manufacturers (with the exception of Leyland) still losing sales and market share.

Figures from the Society of Motor Manufacturers and Traders for the first nine months of this year reveal a drop in sales at Seddon Atkinson to 1,185 from 1,300 in the equivalent period of 1985 and ERF from 1,235 last year to 1,155.

Foden, admittedly, improved over the same period to 435 from 380 in the first nine months of 1986, but otherwise it has been importers that have had the edge.

Of these importers, one manufacturer particularly could benefit from Bedford's demise—Mercedes. The past three years have seen Mercedes overtake first Dodge and, more recently, Bedford, in UK registrations. These have been vehicles in every weight band in the over 3.5 tonnes gvw category. In the first nine months of 1986, Mercedes registered 5,645 vehicles compared with 4,860 in the same period of 1985, making the company No 3 in the UK after Iveco Ford and Leyland.

Although the top British weight limit is now 38 tonnes gross for the biggest articulated vehicle, the fact that the EEC limit is 40 tonnes and 44 tonnes for vehicles hauling drawbar trailers instead of Britain's 32.5 tonnes, undoubtedly gives the importer a design advantage at the top end of the weight scale which is dominated by the importers.

This is where Scania, DAF, MAN and Volvo particularly, are at an advantage. However, the fact that Iveco Ford can now offer the Iveco Turbostar at this weight may make a difference to the situation on market share.

A key factor in this area has been the shift to the use of five-axle articulated outfits (from ones with four axles). According to Department of Transport statistics, the number of five-axle, 38-tonne articulated vehicles on British roads rose from 19,000 at the end of 1984 to 26,000 at the end of 1985.

Having gained domination of this sector of the extra-heavy vehicle part of the industry, the importers have more recently turned their attention to the next biggest single market sector: four-axled rigid vehicles where last year the British manufacturers—Leyland, Seddon Atkinson and ERF—increased their penetration. New models this year from several of the importers reveal that they are trying hard to reverse this trend in 1986.

Eric Gibbins

Fight for return

Continued from Page 1

was unusual for a truck to have a load to bring back to base.

Those making guesses about the impact of de-regulation in the US say the long-haul business will shrink sharply. No longer will trucks make those coast-to-coast, New York to California, trips. Most journeys of over 700 miles are by "piggy-back", where the truck trailer is carried by rail for part of the journey.

This should limit the number of heavy trucks required in the US in future.

De-regulation in the US is also bankrupting small haulage companies and forcing the larger ones into mergers. The large groups are using computer technology to ensure that their trucks are used more efficiently.

On top of all that, heavy trucks are lasting longer — 500,000-mile warranties are being offered by some manufacturers.

GM had all this in mind when it decided it was not worth replacing its 12-year-old heavy truck range in the States.

GM also had to consider the way competition is increasing there following the arrival in the past few years of some major European makers: Daimler-Benz, Renault and Volvo have bought Freightliner, Mack and White respectively.

Six new Japanese imports have also arrived on the US truck scene in the past year, admittedly at first with medium trucks but no one expects the Japanese to ignore the heavy end of the business for ever.

Kenneth Gooding

US truck production

	1979	1980	1981	1982	1983	1984	1985	1986*
Chevrolet (GM)	1,015,090	515,040	548,385	672,635	865,145	1,008,230	1,181,940	904,853
Dodge (Chrysler)	302,995	119,230	98,240	121,915	147,678	213,115	213,950	88,898
Ford	1,032,115	581,510	617,375	713,425	931,480	1,183,295	1,217,440	1,075,855
GMC	337,380	173,700	175,210	224,305	263,800	322,080	356,485	273,395
Navistar (International)	115,455	67,860	62,860	45,110	51,680	74,450	71,925	54,240
Jeep (AMC)	134,625	88,810	92,250	85,470	113,265	176,220	236,290	148,838
Mack	35,940	23,390	20,090	14,245	12,485	26,480	24,280	11,885
Mercedes-Benz	—	1,220	2,865	2,005	3,010	4,350	4,515	3,655
Nissan	—	—	—	—	19,980	100,510	107,420	87,820
Volkswagen	2,410	28,390	37,390	8,085	2,088	—	—	—
White	11,260	6,620	4,795	—	—	—	—	—
Others	65,760	40,500	30,320	24,900	33,050	56,990	53,720	38,260
US total	3,053,035	1,638,260	1,689,780	1,912,100	2,443,640	3,165,715	3,467,920	2,670,885

*First nine months.

Research: Rieke Nachoma

The US

Europeans drive in

THE EUROPEAN drive into the heart of the US truck manufacturing industry was highlighted in August when General Motors, the leading US automotive group, announced a joint venture with Volvo of Sweden to make heavy duty trucks.

Volvo has already succeeded in turning round the former White Motor since it paid $75m for the assets of the bankrupt group in 1981. It is to be the dominant partner in the venture with GM, owning 65 per cent.

The GM deal was not so much a surprise as an anti-climax. Right at the beginning of this year North American truck makers were warned that they needed to take urgent action if they were not to lose their dominant share of their own market. A report from the consulting group Automotive Research & Management Consultants, suggested that GM was relying largely on older vehicles in the heavy duty sector and speculated that it might not stay in the market for "heavies."

US car makers with truck divisions could face serious difficulty in remaining in the heavy truck market, and would steadily abdicate the medium market to European and Japanese producers unless action was taken, it warned. Medium and heavy truck production would decline.

When the Volvo GM heavy truck corporation is fully operating in less than two years from now GM will probably stop producing heavy trucks at its Pontiac, Michigan, plant. The move comes at a time when the group is pulling back in other troubled fields— earlier in the year it said it was seeking a buyer for its bus operations.

GM said the new venture would allow it to concentrate on its more successful medium and light trucks.

The US market for heavy trucks is plagued with overcapacity, and some industry observers expect it to remain static for some time. Navistar—formerly known as International Harvester—has complained loud and long this year, while its earnings have been under continual pressure.

"The economic turbulence which has buffeted the heavy truck industry through 1986 shows no signs of abating," the group said after reporting only a near break-even outcome for the third quarter.

The group now plans a major restructuring that will permit it to diversify outside the truck business.

But in spite of the difficulties in the market, the US companies with European links have fought doggedly for their share of the sales.

Volvo has steadily increased sales since it acquired White, and grabbed 9.6 per cent of the market in the first half of this year.

Mack Trucks, the up-market manufacturer 41.9 per cent owned by Renault of France, last month built its one millionth vehicle since its foundation in 1900. The group is making strong strides on the road to recovery after making a $59m loss last year.

It has cut its workforce and is closing one of its two Allentown plants in Pennsylvania. An $80m new plant in Winnsboro, South Carolina, is proceeding ahead of schedule and vehicle production is due to begin late next year. The move has exposed the weakness of the United Auto Workers' Union, which resisted the company's demands for wage concessions for the operation of a planned assembly plant with high automation. South Carolina prohibits closed shop agreements, and in any case wages are low.

Renault itself exports medium-weight trucks to the US, giving Mack a broader range and Renault an actual presence in the US market. Renault is also sending coach bodies to the US to be coupled to Mack drive trains.

Daimler-Benz of West Germany, like Volvo, took up the battle in the US in 1981 with the $260m purchase of Freightliner, the heavy truck maker. The timing could not have been worse, but Daimler has persevered and, after the first nine months of this year forecast that 1986 would be the best for Freightliner.

The group is outperforming the market trend, which is down 15 per cent on last year, increasing its market share to just over 15 per cent in the first nine months from 13.5 per cent for the whole of 1985.

In the medium to heavy range the group has established the Mercedes-Benz truck company as a wholly-owned subsidiary of Freightliner.

The Japanese are very interested in classes 6 and 7, and expect to take 10 per cent of the market by 1990.

Nissan itself now has a full national dealer network in the US, having established a West Coast regional office and selected dealers there. It is steadily introducing new models, and plans to sell 2,900 trucks in the fiscal year ending March, and between 3,500 and 4,000 the following year.

Meanwhile, Mitsubishi and Hino continue to look for a niche in the markets, especially as many heavy duty operators could be willing to trade down a class for reasons of fuel efficiency and flexibility.

David Blackwell

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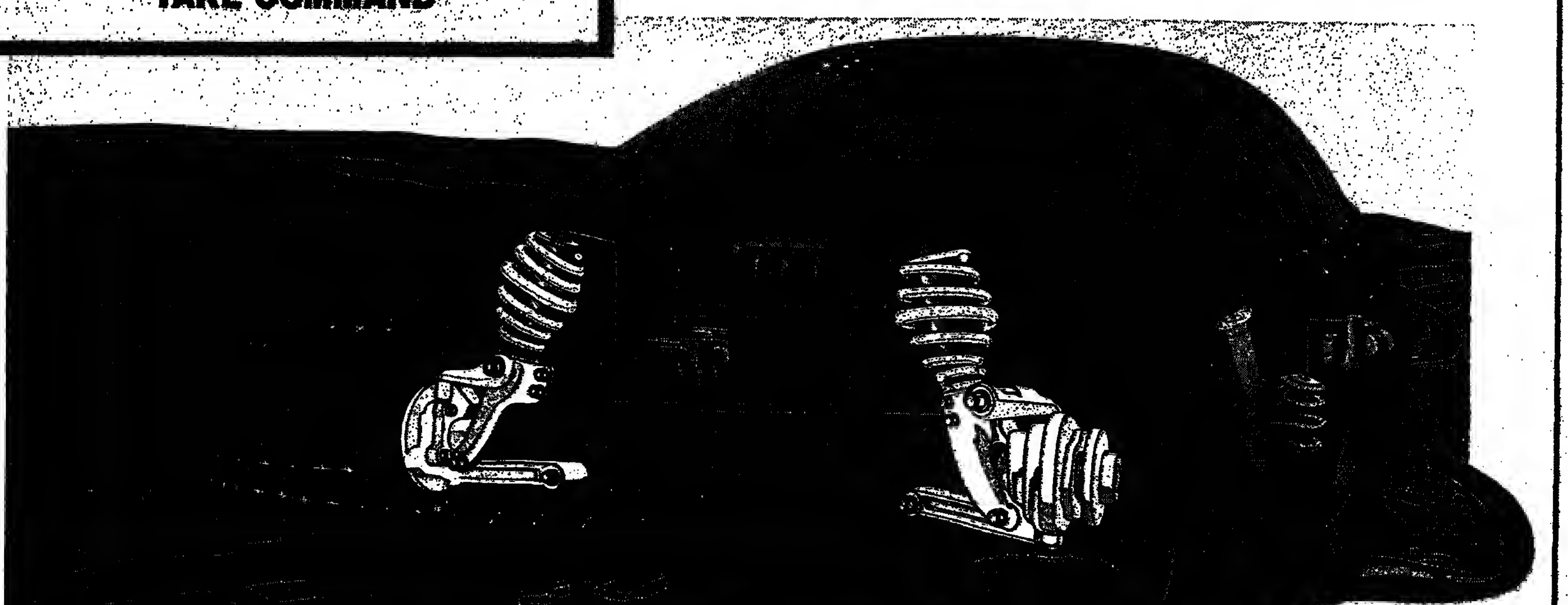

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DELCO PRODUCTS
TECHNOLOGY WORLDWIDE

France

Discounts level falling in price war

THE TROUBLED French truck market has shown signs of a tentative recovery in new registrations this year after the big fall of 1985.

New registrations fell to 34,730 vehicles last year from 41,060 the year before and averaging 40,000 trucks in each of the previous two years.

However, the industry now expects registrations to pick np to a more reasonable level of about 38,000 vehicles this year and indications of Industrial trends at the Paris Motor Show this autumn suggest that new registrations next year will be at least at the same level as this year.

If the price war has continued to plague the French truck market, the situation has nonetheless stabilised itself and the level of discounting has lost the intensity of three years ago.

The fierce price war of 1983, according to the French industry, was sparked off by Iveco of Italy in its efforts to overtake Daimler-Benz in the number two position on the French market after Renanlt's truck subsidiary, Renault Vehicules Indnstriels (RVI), artificially sustained the domestic market pushing np new registrations to the 41,000 level in 1984. Subseqnently, with the easing in the discount war, sales slumped the following year.

"We are now all back where we were before the big price war," a French industry official remarked. Indeed, RVI which had gained a 42 per cent share of the French market at the end of 1984 saw its share of the market decline to 39.4 per cent at the end of last year and is currently holding on to a 38.7 per share of the domestic market.

But RVI appears satisfied with maintaining a market share of 39 to 40 per ceot in France without rocking the boat on the prices front to gain market share. "Our main target now is not volume but profitability," an RVI executive explains.

With RVI's domestic market share stabilised at the 39 to 40 per cent level, Daimler-Benz is still number two in the market with abont 20 per cent followed by Iveco with 15 per cent, Volvo with 10 or 11 per cent, and with Daf and Scania trailing with about 5 per cent each.

The more stable situation in the domestic market has also reflected tha continuing efforts by RVI to cut its losses and return to profitability through strenuous restructuring. Mr Philippe Gras, the RVI chairman, now expects his company to reduce its losses to just under FFr 1bn this year from FFr 1.5bn last year and nearly FFr 3bn in 1984. The Renault truck subsidiary's target continues to be break-even by 1988.

Indeed, the restructuring at the French state group's truck subsidiary was launched before tha radical restructuring in Renault's car division. However, while tha first fruits of the truck restructurings are now beginning to show, RVI is continoing to press ahead with its recovery programme designed to rednce the company's break-even level of output from 48,000 vehicles a year to 40,000 vehicles a year, excluding Renault's association with Mack Trucks of the US.

The productivity improvements are also aimed at increasing output from a current level of 2.6 trucks per employee a year from 2.07 trucks per employee a year in 1984 to more than three trucks per employee per year by the end of next year.

RVI's production this year is expected to total about 36,500 or 37,000 trucks of which between 5,600 and 5,700 vehicles will hava been exported to the US for sale as Mack Midliner models.

At a time when the French truck group is engaged in restructuring and recovery efforts, the decline in exports to developing countries has clearly made life more difficult for RVI. In the first six months of this year, RVI export deliveries declined by 17 per cent compared with the same period last year.

Although damand in Western European markets has shown soma resistance, important North African and Middle East markets for the French concern have slumped as a result of the world debt crisis and the decline in oil prices. An eloquent example of the collapse of North African markets is Algerie where RVI traditionally sold 2,500 to 3,000 trucks s year. Sales to Algeria have been insignificant so far this year, according to RVI.

Against this overall background, RVI is persevering with its own restructuring and recovery programme designed to put the truck division back into the black. But the financial recovery of the truck company will also dapend inevitably on fresh financial support from its parent Renault, which is itself seeking major financial backing to restructure its balance sheet burdened by huga debts totalling FFr 60bn.

RVI is seeking between FFr 3bn and FFr 4bn in support from its parent to help reduce the heavy burden of its financial charges involving aunnal interest payments of between FFr 400m and FFr 500m.

It is also seeking to restructure its truck subsidiary in the UK, Renault Truck Industries (RTI), which remains perhaps the weakest element in the French truck group and the only RVI subsidiary currently not heading towards break-even. Renault now wants to see RTI return to profit within two years.

Paul Betts

Truck industry in leading countries
(over 6 tons gross weight)

	1976	% change	1981	% change	1982	% change	1983	% change	1984	% change	1985*	% change*
Western Europe												
Production	408	−4	367	−12	355	−3	301	−15	293	−3	298	+2
Fed. Rep. of Germany[2]												
New registrations	53	+22	48	−24	39	−18	47	+26	43	−7	45	+3
Exports	94	+6	109	+18	109	—	66	−27	60	−9	56	−6
Production	139	+2	158	+3	151	−4	111	−16	101	−10	191	+1
France												
New registrations	43	+47	37	−6	38	+4	39	+1	40	+3	34	−15
Exports	21	−17	23	−16	19	−19	17	−10	18	+7	15	−20
Production	49	+7	41	−18	39	−7	35	−9	34	−3	29	−16
United Kingdom												
New registrations	50	+1	40	−26	40	+1	45	+12	49	+7	51	+5
Exports	67	−18	33	−29	32	−1	21	−34	16	−22	15	−6
Production[3]	108	−14	52	−45	60	+15	49	−18	48	−3	52	+9
Italy												
New registrations	20	+15	29	+14	19	−35	17	−11	17	+1	18	+10
Exports	20	+12	23	+13	15	−33	19	+27	10	−3	19	—
Production	34	+3	38	+32	24	−36	30	+23	28	−6	34	+22
Sweden												
New registrations	7	+8	5	−17	5	−15	5	+5	5	+1	6	+17
Exports	37	+8	44	−6	47	+7	42	−11	51	+22	49	−4
Production	43	+2	49	−11	48	−2	47	−4	54	+15	54	+1
Spain												
Exports	—	—	3	−21	5	+92	5	—	3	−34	1	−57
Production	18	−13	11	−21	16	+29	14	−6	12	−16	19	−16
Japan												
Exports	69	+7	104	+17	80	−23	71	−12	83	+18	110	+32
Production	207	+0	222	−8	203	−9	185	−9	234	+27	266	+14
USA												
New registrations	275	—	215	−17	173	−20	177	+2	255	+44	284	+11
Exports[4]	50	−11	32	+33	12	−62	4	−63	3	−23	3	—
Production	285	+5	227	−6	158	−30	168	+6	272	+62	258	−5
Brazil												
New registrations	76	+7	54	−32	41	−25	34	−16	42	+23	55	+30
Production	68	+5	62	−22	34	−45	25	−24	36	+37	52	+44

*Estimated
Source: Daimler-Benz

West Germany

Still a buyer's market

WEST GERMANY'S commercial vehicle makers have found the going rough and confusing in the past few years, at least at the heavy end, as over-capacity in the industry has combined with the weakness of key export markets to depress sales and prices.

Nor is the industry especially optimistic that there will be an inprovement in the next few years. True, last year saw an end to the four-year slide in production, but the growth has been at the light end of the market and is anyway expected to flatten out this year.

The problems are certainly not confined to West Germany, the biggest truck producer in Western Europe. The malaise in the heavy sizes is common to all producers. "Truck markets," says the DIW economic research institute of West Berlin, "will remain buyers' markets in the next few years."

Both domestic and export markets have been weak in the sector of the market over 6 tonnes which DIW took as the subject of its comprehensive study. Because of chronic over-capacity, competition among truck producers has led to high discounts an special sales terms.

Daimler-Benz, for example, said in its nine-monthly report for 1986 that heavy trucks were still suffering from the problems of the construction industry at home and from weaker demand in the Near and Middle East.

The slump in Opec oil revenues an the near saturation of the market in oil-producing countries is a major difficulty for Germany's truck industry. In the 12 years to 1984, more than half the total commercial vehicle imports of Asia and Africa were bought by developing oil-

Continued on Page 4

Newly developed country bus made by Daimler-Benz.

Italy

Turnround brings confidence despite markets

IVECO, the industrial vehicles subsidiary of Fiat and Italy's major producer of heavy trucks, entered its second decade this year with some confidence that the dark years of the 1980s are behind it.

After combined losses in 1983-84 of Fl 627.4m (the company is registered in the Netherlands), Iveco finished 1985 with a profit of Fl 120m — its highest surplus since its first operating year in 1976 after the merger of Fiat/Lancia's truck operations with Magirus Deutz of West Germany and France's Unic.

This was a result which will have given immense satisfaction to Mr Giorgio Garuzzo, the managing director who took over in 1984 with a brief to turn the company round in the face of still difficult markets.

Iveco concluded that after three years of decline the Western Europe market was stabilising at 330,000 to 345,000 vehicles in the 3.5 tonnes GVW range. Costs were cut and capacity adjusted accordingly.

Iveco's 300.25 eight-wheeler truck.

Employment at the company's 15 production plants in Italy, France, Germany and the UK was cut from 41,985 in 1982 to 34,515 which was more in line with an output of 99,075 vehicles. This compares with 46,300 employees during 1981's peak output of 113,120 units.

With a static European market, the company has had to look for growth through acquisition and progress in non-European markets. The former has been easier than tha latter because of the slump in demand for heavy vehicles in the Opec countries.

However, growth by acquisition is promised through the merger last spring of Iveco's British operations with those of Ford—an admission by the latter that it could no longer go it alone in the heavy truck business.

Ford has only a minority interest in the new company which will have a turnover of nearly £300m and leadership of the UK's heavy truck market with a share of 25 per cent. The deal should enable Iveco to overhaul Daimer Benz and take the number one position in Europe with a similar 25 per cent market share, according to tha company's own figures.

Nevertheless, the new Iveco-Ford company has a major recovery task ahead of it. Ford had lost more than £100m on heavy truck production between 1980 and 1984 and the US company admitted that it could not generate the necessary funds to provide tha huge investments necessary for developing new products.

Iveco, by contrast, has managed to step up its research and development efforts during the loss-making years. R. and D. expenditure slumped in 1981 to 2.2 per cent of sales from the previous year's 2.8 per cent. Since then, expenditure has held steady at between 3.1 and 3.3 per cent of total sales.

Figures from the company covering the first seven months of tha year show a small increase in total European registrations of heavy trucks from 232,485 in 1985 to 241,515. Iveco registrations (excluding Ford vehicles) also increased slightly from 35,720 to 37,650 to yield an increase in market share from 15.4 per cent to 15.6 per cent. However, its share of the major markets of Italy, France, Germany and the UK stood at 18.8 per cent.

Iveco claims a 7.8 per cent share in 1985 of markets outside Western Europe, making it tha principal European producer ahead of Daimer Benz's 4.4 per cent, RVI's 3.4 per cent and Volvo's 2 per cent. Isuzu of Japan was the dominant force in these markets with 20.3 per cent.

Iveco's leadership of the Italian market is undisputed and its own estimated share is 61 per cent. But on the evidence of the first seven months of this year, total sales are still falling from 30,110 registrations in 1985 to 28,800 with the result that the company's deliveries in Italy have fallen from 18,307 to 17,570.

John Wyles

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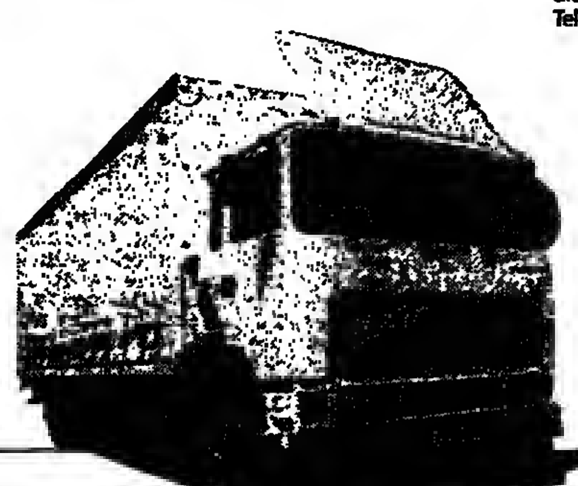

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Japan

Yen puts pressure on exports

BARELY A RAY of light manages to peoelrate the gloom surrouoding Japanese manufacturers of medium and heavy trucks. Exports are under pressure from the strong yeo aod the domestic market can pick up only a little of the slack, so that margins are shrivelling away to nothiog in some cases.

No respite is in view in overseas markets. Mr Mark Brown, a senior consnltaot for International Busioess Information, predicts that Japanese exports in the medium and heavy categories will decline "at least 20 per cent" in calendar 1986.

Nissan Diesel, an affiliate of Nissan Motor Co and one of the top four truck manufacturers, has cut its projected exports of trucks and buses to 12,900 units, 7.9 per cent fewer than initially planned and 16.6 per cent down on 1985. This compares with ennual shipments of well over 20,000 at the beginniog of the decade.

The positioo would be even worse if it were not for the company's order to supply Navistar International (formerly International Harvester) with up to 2,000 cab-over 4-5 toone aod 7-8 tonne payload trucks anoually from this year.

These shipments, plus sales through Nissan Diesel America's 140 dealers, totalled 1,740 in the first half nf this year, against 1,585 units for the whole of 1985. The combined target is 4,000 for 1986 and plans are to widen the US dealer network to 200 or 240 in the near future.

Now that manufacturers are transferring production cepacity ont of Japan to escape the high-priced yeo, it was perhaps unfortuoete that Hino Motors decided to close down its US assembly operatioo for knock-down 5 to 7 tonne trucks in January. The joint venture with Molan, which produced under 800 units in its two years of nperatinn, was abandoned partly because of high labour costs, a Hino spokesman says.

New model Mitsubishi tipper truck. Mitsubishi is finding the US market tough going but home sales are up and there are plans to sell 8 to 10 ton trucks in Europe for the first time.

The company hopes to add another 20 or 30 dealers next year to the present network of 78 and aims to distribute 5,000 trucks annnally hy 1990, compared to this year's goal of 1,600. However, Mitsubishi Motors, whose exports of medium and heavy duty trucks amounted to nearly 21,000 units for the first nine months of this year against 28,295 for the whole of 1985, is finding the US market tough going with the new FK and FM models it introdnced last spring through its 17 dealers in the east.

Despite the yen, overall truck exports to North America continued to rise nntil September on a year-to-year basis, while shipments to Europe started to decline in the summer. By contrast, volume to South-east Asia and the Middle East has fallen sharply, and China remains a disappointment, with thousands of vehicles awaiting collection from the ports and only token volumes planned for shipment this year.

Domestically, business is dismal too, with analysts expecting only a slight recovery in the market next year. The biggest hope is that the government's economic pump-priming will help boost demand for large dump trucks that extra public works ahould bring. Housing starts and other constructinn orders are already healthier than they were a few months ago.

Replacement of ageing vehicles, acquired in 1979 when the last boom in domestic registrations occurred, would normally be in full swing now. But this is not the case. Some nsers, hit by cashflow problems because lower industrial outpnt is shrinking demand for their services, are depreciating their trucks over lnnger periods.

Although domestic sales of medium and large trucks were 4.2 per cent down in April-September this year from 12 months before to 40,405 units, registrations nf medium-sized vehicles have been climbing since June, contrary to expectations.

One explanation is that since the emphasis in Japan'a industrial structure is shifting to smaller products, changing distribntion patterns are increasing demand for smaller vehicles. Another explanation is that aggressive sales promotion rather than economic factors are at work.

Hino, leader in the medium category, is mourning a loss of market in October, when its share slipped to nnder 30 per cent for the first time in five years. However, it hopes to recoup some ground with its 4 to 5 tonne payload Ranger truck launched last month.

Meanwhile, manufacturers are starting to cut their workforces and profits and taking a beating. Nissan Motor, Japan's number two carmaker, blamed its first post-war loss, recorded for the six months to September, on slumping demand for commercial vehicles at home and abroad, while Isuzu Motors is expected to announce considerably lower profits for the 12 months to October.

Hinn, which suffered a 37.5 per cent interim profit drop from last year is projecting a decline of 28 per cent for the full year, and Nissan Diesel predicts a net profit for the 12 months to next March of Y1,000m, down from Y1,214m last year.

Barbara Casassus

Joint projects

Collaborators run into problems

COLLABORATION between seemingly competitive truck manufacturers has taken, and continnes to take, many forms. The so-called "Club-of-Four" project of the mid-1970s brought together commercial vehicle producers from France, West Germany, Sweden and Holland, with a view to sharing development costs, so that four partners could introdoce new light and middleweight chassis with minimal strain on their indlvidnal resources.

Now with a decade of hindsight, it is apparent that the programme, though well-intentioned, was ill-conceived. Renault-Saviem dominated the project in the same way that the French, on a hroader front, have endeavoured to dominate the EEC.

Volvo has admitted that the design of the Clnb of Four range of cabs, in particular, fell short of the Swedes' high ergonomic standards. It is a trihnte to the company's strength that its F7 models became market leaders, notahly in the UK, despite the shortcomings of the cab — all of which have been eliminated in the replacement FL7 announced last year which is an entirely in-house development.

The Dutch DAF company reaped the least benefit of the four "Cluh" members. But that has not stopped the board of management in Eindhoven going ahead with e new collaboration deal with the Spanish government-controlled Enasa company to develop an all-new heavy truck cab. Both parties badly need a new cah; their current heavy ranges have cabs dating back to the 1960s.

They fall ahort of their more modern rivals in ergonomics — that is crew comfort and ease of access — as well as in aerodynamics. Wind drag brings a performance and, more importantly, a fuel consumption penalty, especially at motorway speeds.

The present DAF and Pegaso (Enasa) cabs are also heavy and they are expensive to build. The same applies to the cabs built by Motor Panel (Coventry) for Seddon-Atkinson, the Oldham-based truck builder sold by International Harvester to Enasa in 1984.

Seddon will share the joint-project cab but under the terms of the deal its version will not be made available until 12 months after the DAF launch. Thanks to computer-aided design and manufacturing (CAD-CAM) methods, we can expect the new DAF-Seddon-Pegaso cab to be light but strong, with fewer welded joints and with a low drag factor.

Though the Clnb of Four project undoubtedly left Volvo with doubts about relinquishing full cootrol of engineering decisions, different considerations apply across the Atlantic where the heavy truck business is in disarray. Annnal sales of the heaviest class 8 chassis have fallen by over 50 per cent in a year.

Volvo, through its Volvo-White US subsidiary, has entered into a joint project with erstwhile competitor General Motors to develop new chassis for the 1990s. Some observers see the tie-up leading to an eventual take-over by Volvo of all GM's heavy vehicle activities.

European truck makers have had comparatively little success in selling their own heavy vehicles into North America, such is the conservatism of the average trucking company in the US and Canada. In consequence, Volvo has been compelled to keep American-style White models in prodution with their relatively crude chassis engineering and old-fashioned cabs with poor aerodynamics.

Mercedes-Benz has been similarly constrained after taking over the Freightliner concern some five years ago, though the German company — far and away the world's largest producer of trucks grossing 6 tonnes and above — is hopeful of selling Freightliner heaviea powered by its own engines, shipped in from Mannheim or from Brazil.

Often the initiator of a technical or marketing co-operation deal is the stronger partner who will already have made acquisition soundings. But the weaker, though not necessarily smaller, party might be seeing a "non-devouring" rescuer.

That position prevailed in 1974 when Fiat from Italy and the German Magirus-Deutz company joined forces to form Iveco. The Italians held 80 per cent while Magirus's parent KHD held the balance.

It was stated at the time that the deal was emphatically not a Fiat takeover of Magirus. In the fullness of time however, that is in 1979, Fiat took steps to buy-ont KHD's stake.

Not surprisingly when, two years ago, Fiat and Ford began discussions on UK truck market collaboration, Ford's negotiators kept in the forefront of their minds the eventual "smothering" of Magirus. This was a decisive factor in determining the eventual financial structure of Iveco Ford Ltd., which began trading on July 1 this year.

After protracted negotiations, It was decided that Ford and Fiat should each hold 48 per cent of the new company, with a merchant bank taking the 4 per cent remainder. The impartiality or otherwise of the merchant hank ia said to have come in for considerable haggling between the parties.

Everyone, not least the new company's truck-making competitors, is watching for signs of one party'a predominence over the other at Iveco-Ford. The five-to-one director representation in favour of Iveco on the main board has been highlighted by some commentators. But six months after the joint company was announced, Ford influence appears not to be slackening.

On the contrary, Ford'a well-equipped truck dealer network has secured the vast majority of IFT franchises, with many former Iveco outlets being lost, albeit generously compensated.

For the time being Ford's UK-based truck based development activity is continuing, though key engineers have been transferred from Dunton in Essex to Langley near Slough, housed under the same roof as the Cargo manufacturing plant. Longer-term plans must remain in question. It is certain that Iveco-Ford will want to pool its advanced engineering and manufacturing resources.

To what extent that will involve Italian or French-sourced Iveco componentry replacing UK content in Langley-produced chassis remains to be seen. It will become a crucial factor however when jndgement comes to be passed on the success or otherwise of this perhaps most controversial and potentially most far reaching of joint projects in the commercial vehicle industry.

Renault remains the "sick man" of the European truck business, though the state-owned French company RVI expects to reduce its losses from 35 per cent of turnover in 1985 to about 7 per cent this year. Collaboration with another mannfacturer could put RVI back on the road to profits.

But possible partners not already Involved in joint projects are few and far between. And there remains a widespread suspicion of Renault's true motives after the group's evident attempts to get the better of its Club of Four partners.

In recent weeks the giant American Rockwell gronp has pulled out of a proposed axle-manufacturing project with RVI. The fact that Rockwell is already involved deeply with Iveco in operating an axle plant at Cameri in Italy could not have enhanced the attractions of the deal from the French side.

Alan Bunting

Over-capacity and weak exports

Continued from Page 3

producing countries, according to DIW.

The surging demand for vehicles on these two continents brought about a bonanza for the producers of Europe, Japan and the US who lifted sales to these areas from 129,000 trucks in 1972 to 331,000 in 1975. The unit numbers then fell to 223,000 in 1979, before a recovery in the following two years.

But where 1981 brought a new record with 385,000 trucks sold to Africa and Asia, the figure had slumped to 231,000 in 1984, a 40 per cent drop.

For West German truck producers such as Daimler and MAN, foreign sales are vital. Exports account for 63 per cent of production in the whole industry in Germany, most of the recent growth coming at the lighter end of the market.

Last year, the German industry's exports increased by 18 per cent to 159,000 units, including a 29 per cent jump for light vehicles. Medium and heavy trucks both showed a slight decline. The German automobile industry association (VDA) said heavy truck sales to Opec nations had suffered, with the firm European market not enough to offset this.

Since the VDA saw no immediate chance of the heavy truck sector improving its exports, and the light transporter van models were also expected to show little growth, it reckoned with only a slight advance in exports in 1986.

Overall output in Germany last year moved up a little after falling for four straight years. Again, it was the transporter side of the industry that made the running. Production of commercial vehicles rose by 9.4 per cent to nearly 280,000 units, including a surge of 63 per cent in the under 2 tonne class.

In the heavier categories, output was flat or only marginally higher. The VDA pointed out gloomily that production of heavy lorries last year was 46 per cent less than in 1961. Two-thirds of German commercial vehicle output is accounted for by light vehicles.

Just as in the car industry, the Japanese have been making inroads into the commercial vehicle market at the light end to compete with VW and Ford. Because of the buoyant state of the German economy, with domestic demand now taking over from exports as the most vigorous source of growth, total registrations have been rising this year.

In the first six months, vehicles under 2 tonnes enjoyed a 16 per cent increase in demand compared with much smaller rises for bigger sizes. VW says that rising demand for cars and light commercial vehicles enabled it to raise worldwide production by 5.5 per cent in the first nine months.

Daimler, too, has reported lively demand for transporters and light trucks at home and in the rest of Europe. It is the heavy trucks which will continue to cause concern. Yet even in this over-supplied sector, there are some longer-term signs of hope.

The drop in demand from Opec, which bought more than 50,000 heavy trucks from Germany in 1981 but only about 7,000 last year, at least has no further to go, according to Westdeutsche Landesbank in a recent review of German industry. And since the strong demand within Europe was continuing, "production of heavy trucks will again pick up speed in 1987 and make a clear contribution to growth in the vehicle market."

Andrew Fisher

The fortunes and prospects of major companies are examined on this and the next two pages

Seeking more joint deals

Profile
DAF

CO-OPERATIVE ventures have a key role to play in the future for DAF Trucks of the Netherlands, says Mr Aart van der Padt, chairman of the management board.

Tha company is actively seeking more co-operative deals on a wide range of key components such as engines, axles and transmissions, to gain the advantages of economies of scale available to bigger rivals.

DAF recently completed the formalities of its deal with Rover Group of the UK for the distribution through DAF's 500 dealers in continental Europe of Sherpa vans and Roadrunner light trucks producad by Rover in Britain.

This arrangement springs from DAF's strategic decision not to develop or build trucks below 9 tonnes gross vehicle weight.

Various changes bave been made to the Rover Group vehicies whicb will go on sale from Jannary onwards, all with DAF badges, in the Netherlands, Belgium, Luxembourg, West Germany, France, Italy, Austria and Spain.

DAF bopes to sell about 2,000 in 1987 and, although Mr van der Padt is relnctant to discuss future potential, the Rover Gronp hopes that annnal sales eventually might reacb 4,000 vans and 2,000 Roadrunner trucks (to be sold in weights up to 10 tonnes gross).

Rover will be able to compete with its own-badged versions in most continental markets but it is anticipated that DAF will not distribnte the models in the UK.

DAF's venture with another state-owned company, Enasa, whicb makes Pegaso trucks and buses in Spain, for the joint development and prodnction of a cab for trucks over 14 tonnes is on scbedule. The first trucks with the new cabs should be on sale next year.

The cost of Fl 140m has been shared, although DAF had completed much of the development before the deal was done.

A 50-50 company called Cabtech has been established at Eindhoven to finish the developmant and a team of Spanish engineers bas joined Dutcb colleagues.

Mr van der Padt also hopes the so-called Club of Four joint venture for medium-truck cabs sbared between DAF, Volvo of Sweden, Iveco of Italy and Renault of France, ultimately will be extended to include a new co-operative cab.

He suggests, however, that the members of the Club might well change at that point with perhaps Volvo dropping ont and other companies joining instead.

DAF expects to boost commercial vehicla production by about 11 per cent from 14,380 in 1985 to 16,000 this year.

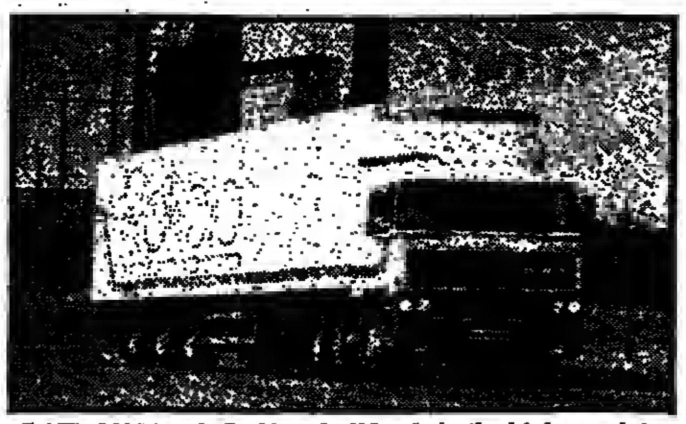
Profitability this year will et least match the 1985 level and probably be higher, Mr van der Padt says.

The company fell into loss in 1983 hut more than doubled net profit to Fl 20.4m last year from Fl 9.7m. The healthier financial position bas belped take some of the pressure off the DAF management team as it looks for ways to ensure survival as an independent company in the 1990s.

DAF insists on retaining its own identity and engineering capability. Preservation of jobs in the Netherlands always plays a major part in any talks about cooperative ventures.

Another important element in the management's confidence is that two years ago DAF was ehle to put together a Fl 600m financial package to cover a six-year product renewal programme and investment in advanced production methods.

DAF no longer feels threatened by outside predators. A 37.5 per cent sbareholding previously owned by International Harvester, now called Navistar International, of the US, was put up for sala wben the American group ran into major financial difficulties. Tha shareholding was picked np in 1984 by a Dutcb consortium.



DAF's 3600 truck: Daf is to build only in the higher weight ranges.

The consortium included DAF itself, the van Doorne family trust (Hnb and Wim van Doorne founded DAF in 1928) the Netherlands Investment Bank and the state-owned Dutch State Mines. This increased the involvement of the Dutch government in DAF because the State Mines already bad 25 per cent. The van Doorne Trust had 37.5 per cent.

The original intention was for the consortium to find another huyer and pass the shares on as quickly as possible. But Mr van der Padt says that as DAF is now doing so mucb better financially, the consortium will probably retain the stske.

DAF's capital spending this year will be higher than the Fl 106m in 1985 in line with the demends of the six-year investment orogramme and what the balance sheet will bear, reports Mr van der Padt.

The Dutch government is providing about Fl 200m towards the programme and, in view of DAF's importance in Belgium—it has a truck cab plant at Westerlo where 1,400 of DAF's 8,700 employees are located—the government there has guaranteed e BFr 2.8bn loan by Belgisn hanks. The balance of Fl 259m will he found from DAF's own resources.

Mr van der Pedt says the use of flexible automated manufacturing systems, wbich is the aim of a large proportion of the renewal programme, gives a medium-sized manufacturer like DAF a competitive manufecturing cost price compared with larger truck producers.

Kenneth Gooding

Fluctuating prospects abroad

Profile
Nissan Diesel

IN THE heavy truck indostry Nissan Motor retains 45 per cent equity staka in Nissan Diesel and this has proved to be a ballast against the fluctuating fortunes of the sector.

As well as manufacturing heavy and medium weight trucks in its own name, Nissan Diesel produces small lorries for sale to tha Nissan Motor Co. and a range of diesel engines in its own name and for Nissan Motor

Sales of these small commercial vehicles regularly account for 20 per cent of Nissan Diesel's annual turnover and helped to offset a declining treod in sales of the company's large trucks through the early 1980s.

On the domestic market, Nissan Diesel's share of the over 7 ton sector has fallen back to about 22 per cent dne to reduced sales of construction trucks, particulsrly crana carriers, but new models have improved the company's showing in the medium (4 tons payloed) sector. Here the market sbare bas climbed to around 15 per cent.

Overseas, Asian markets continue to take aroucd one half of heavy truck exports. Nissan Diesel has literally concentrated on the developing countries in its export efforts; but shipments to the Middle East and Africa have slumped. From peak exports of 22,000 nnits five years ago, total shipments this year will be lncky to reach 13,000.

Engine sales have fluctuated but over the past five years they averaged just over 120,000 nnits a year (10 per cent turnover).

Despite the marketing difficulties Nissan Diesel has remained consistently profitable, although at an extremely low level. In 1986 (year to Marcb 31), turnovar fell 7 per cent to y262bn ($1.6bn). A cost saving programme pushed after-tax profits np to y4.4bn.

Hardening export prospects bave redneed the company's expectations for 1987, however. Turnover threatens to sbow a 10 per cent decline to next March with no less than 23 per cent expected to ba lost from after-tax earnings.

Nissan Diesel has four factories in Jepan and e foundry at the Konosu plant. The Kawaguchi plant carries out machining and beat-treatment of major truck units while the Ageo plant, which also makes engine parts, cabs and other components, assembles the beavy trucks, light vehicles for Nissan, and diesel engines. With the start-up of the Gunma plant in 1981, medium-weight truck assemhly was transferred from Ageo.

Overseas, Nissan Diesel bas plants asembling completely knocked down (CKD) units in each of the main markets nf south east Asie as well as et selected places in Africa. In February, 1984, Nissan Diesel America was set up in Dallas, Texas, to begin supplying trucks in the US. Other regional offices followed in Chicago, in the North East and on the West Coast to distribute trucks for long-distance interstate haulage.

First exports of Class 7 cab-over-engine rigid trucks began in July last year. Rated at 30 tons group vehicle weight, these were supplemented by 33-ton units in January, with the later addition of Class 7 tractors for articulated vehicles. Full-year sales are expected to reach 1,500-2,000 units. The company is also considering expandlng into lighter commercial vehicles, possihly as low as Class 3.

In October last year Nissan Diesel mada an important breakthrough with an agreement to supply International Harvester (now Navistar) with np to 3,000 mid-range diesel cab-over-engina trucks a year. Designed to complement the US company's Cargostar line, the new models are in the Class 6-7 category and are sold as Nevistar vehicles by tha company'a 850 US deslers.

Deliveries—restricted to two model lines—began early this year, and there is provision to increase supplies to include further medium-weight trucks.

With this new contract, Nissan Diesel's US sales are set to reach 5,000 units—the highest ever for a Japanese heavy truck maker.

In Europe, Nissan Diesel is preparing to begin production in Spain through Motor Iberica, 91 per cent of which is owned by Nissan Motor. Nissan Diesel has already started the supply of its FE-6 engines to be fitted into the Spannish company's eight-ton trucks. In a further agreement, Nissan Diesel will provide Motor Iberica with technical assistance for the mannfacture of beavy-duty trucks.

In South Korea, Nissan Diesel has reached agreement with Dong-A on the joint manufacture of eight-ton trucks. The deal involves the supply of prodnction technology and supplements an existing co-operative arrangement for tha manufacture of special-purpose vehicles. In China the assembly of Nissan Diesel eight-ton trucks began at the Second Antomobile Works last spring.

In Indonesia an agreement with United Imer Motors of Jakarta is being stepped np and an initial ontput of 800 trucks of six-tons payload is planned to rise to over 2,500 by 1988. In Pakistan, a joint venture with local company, Ghandhara Nissan, is to build four to eight-ton trucks and buses with a target of 4,000 to 5,000 vehicles by 1990.

Ian Robertson

Reaping reward of investment

Profile
Scania

SCANIA OF Sweden is beginning to reap the full benefits of the five-year, SKr 10bn investment programme which enabled it to introduce a new range of trucks during the early 1980s.

This year the group's output of trucks and buses will be about 29,000, a record and well ahead of the 26,000 for 1985.

The truck assembly plant at Sobertalje and cab factory at Oskarshamn are working at a rate close to their capabilities and the parent Saab-Scania reported recently that during the first eight months of this year the Scania division's sales increased by 10 per cent from the same months of 1985 to SKr 7.257bn (SKr 6.615bn).

Swedish analysts believe that all the increase in Saab-Scania's income before appropriations and taxes in the eight months—when income was up by 20 per cent from SKr 1.616bn to SKr 1.935bn—came from Scania.

Last year Scania contributed SKr 13.6bn (up from SKr 11.7bn) of the parent group's SKr 31.94bn (SKr 25.96bn) sales and its income before appropriations and taxes rose from SKr 1.5bn to SKr 1.9bn compared with the group total of SKr 2.78bn (SKr 2.55bn).

Scania's vehicle output would have been even higher so far this year had it not been for shortages of components from outside suppliers which held back output at the Brazilian subsidiary.

Brazil is Scania's biggest single market, taking 3,305 trucks last year, up from 2,670 in 1984. This was well ahead of Scania's other major markets such as the UK where 2,300 trucks were registered last year (up from 2,490), Sweden 2,290 sold (1,935) and France 1,770 (1,835).

This year, the Brazilian government's measures to break its country's inflationary spiral—measures which included a price freeze on all manufactured goods—caused considerable overheating of the economy.

The whole Brazilian motor industry could not keep up with demand and Scania's factory has been among those operating at well above nominal capacity. Component and materials suppliers could not keep pace, however.

Even so, Scania reckons that truck deliveries in Brazil this year will be about 1,200 up on the 1985 levels at around 4,500.

Like its two main rivals, Volvo of Sweden and Daimler-Benz of West Germany, Scania is an integrated truck manufacturer and makes its own engines, gearboxes and axles so they are carefully matched.

It produces only heavy trucks at premium prices and is therefore to some extent concentrating on a niche in the truck market. However, the launch of new Scania models in the 1980s has widened the appeal of its range.

New models in the 92-series which the group introduced at the end of 1984 filled a gap in its range for higher-powered trucks and have helped increase Scania sales in Western Europe at a critical time.

In 1985 the 92-series accounted for 16 per cent of Scania's truck deliveries and between January and August this year 4,000 had been sold.

To further improve its European penetration, Scania has been strengthening its dealer organisations in the major markets. In company with most of its competitors, Scania took advantage of the opportunity offered when Spain joined the European Community and started to bring down the tariff barriers which have protected its motor industry.

Two years ago Scania took over the company which had been importing its vehicles to Spain. It recently opened a new import centre there and this year will sell between 800 and 900 trucks and buses in Spain.

Scania has also come to the conclusion that it needs to have a solid foothold in the US, the world's largest heavy truck market, if it is to prosper as an integrated truck producer.

However, whereas both Volvo and Daimler-Benz were able to acquire substantial existing businesses in the US (White and Freightliner respectively) Scania is trying to build up operations from scratch.

In May last year Scania put its heavy trucks on sale in the States for the first time and series production vehicles adapted for the American market began in Sweden.

The Scania trucks on sale in the US are in Class 8, the heaviest truck class in that country, with gross weights of 15 tonnes and upwards.

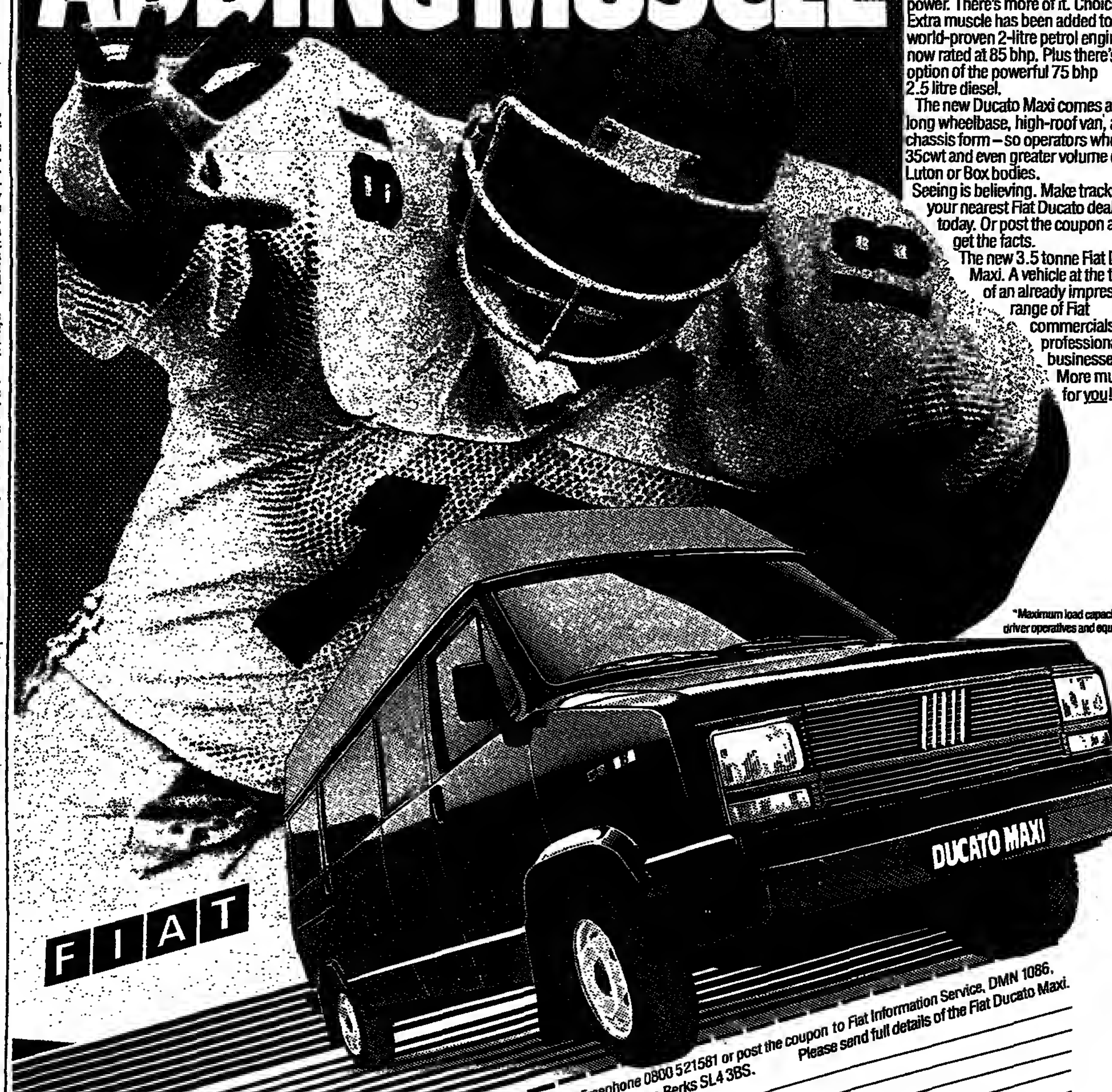
They are being built in Sweden and fitted out for the US market at a plant owned by Saab-Scania in Orange, Connecticut, near Scania's hus assembly plant.

The company knows it will take time to make its mark in a country where integrated trucks are the exception rather than the rule. It sold about 50 trucks last year and 150 so far this year. It hopes the total will reach 170 in 1986 and 270 next year.

The timing of Scania's launch into the States could have been better. The dollar collapsed against most other currencies this year, which, for other reasons, Class 8 truck sales have slumped by more than 20 per cent.

Kenneth Gooding

DUCATO MAXI ADDING MUSCLE



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World strategy using shared components

Profile

Daimler-Benz

DAIMLER-BENZ, the Mercedes group of West Germany which in turnovar terms is Europe's major automotive business, will make a fundamental change in the way it is managed at the beginning of next year.

For the first time the group's commercial vehicle operations will become a separate division with one director in charge.

He is Dr Gerhard Liener, 52, an economist who has had a great deal of experieoce of working outside Germany. He was born in Stuttgart, educated at Tubingen, and when studying for his doctorate worked io the US, France and Sweden. He gained scholarships at universities in Madrid and Lausanne.

In the 1960s Dr Liener worked for a copper-mining company in Chile and then in Vienna and spent three years with the Krupp group before joining Daimler-Benz in the department dealing with subsidiaries and associated companies.

He necame general manager of the department in April 1977 and a deputy member of the Daimler-Benz board in March 1982. A full board membership followed in March 1984.

Daimler-Benz has already outlined the policy he will follow. It says it will remain a supplier of virtually all types of commercial vehicles—excluding only small vans.

It is concentrating heavy truck assembly on its Woerth and Dusseldorf sites from five previous locations and will continue to invest heavily in flexible production and system building methods. These reduce costs, improve quality and speed up reaction times to changing demands in the market.

Daimler-Benz also intends to pursue a world commercial vehicle strategy based on common components and system building to improve qnality and contain costs.

The company says: "We want to co-ordinate international commercial vehicle activities more intensively than before, based on a global modular prodnction concept. The optimisation of our worldwide integral production structure will also contribute towards safeguarding employment in the German factories.

"A strategy as comprehensive as this, however, has to be seen as a long-term project, not least because of the numerous protectionist barriers in international markets."

Daimlar-Benz certainly is a "global" commercial vehicle company. It has been huilding vehicles in Brazil, Argentina, Australia, South Africa and Spain for many years. In 1981 it moved forcefully into North America, a heavy truck market as hig as Europe, by acquiring Freightliner for $260m.

Last year Daimler-Benz filled an important strategic gap in its worldwide operations hy buying 49 per cent of FAMSA, one of only two companies in Mexico with the right to produce diesel-engined trucks in the nine to 15-tonnes range. The other is DINA in which General Motors has a 49 per cent shareholding.

Daimler-Benz will change FAMSA's truck, bus and engine products over the next two years, aiming to build towards an 80 to 90 per cent Mexican content in three to five years.

FAMSA has entered into a know-how agreement with Freightliner to produce the US company's trucks and will also build medium-duty vehicles of the type made by Daimler-Benz in Brazil.

The Mexican company's truck output is forecast to rise from an annual 2,400 to 10,000 by 1990, a useful addition to Daimler-Benz's worldwide production.

Gerhard Liener: wide experience

The Mercedes-Benz 1635: its 16-speed gearbox is electro-pneumatically operated.

In October, the group put another important "building block" in place when its associate in Turkey, the Otomarsan company, brought its new DM 77m truck factory into operation.

Daimler-Benz has the largest individual shareholding in the Turkish company—36 per cent of the DM 46m capital—and Otomarsan will produce about 3,600 Mercedes trucks a year at the new plant at Aksaray, 240 km from Ankara.

As a result, Daimler-Benz expects to take truck market leadership in Turkey in three to five years' time and says the Otomarsan factory might be used to supply Middle East truck markets.

There are still some gaps in Daimler-Benz's world coverage hut it is talking seriously to the Chinese abont truck sales and assembly end seriously contemplating putting its trucks on the Japanese market.

Daimler-Benz had to look again at its management structure because of its recent rapid expansion which involved the acquisition of the AEG consumer goods and electronics husiness, the Dornier aerospace group and MTU, the diesel engine company.

There is an element of compromise in the new structure because there will continue to be centralised portfolios held by directors who will control all-embracing functional divisions covering finance, research and technology, materials management, personnel and sales.

The directors involved will have responsibility for basic policy, planning, co-ordination and monitoring. Daimler-Benz says these functional elements within the unusual, hybrid management structure will "ensure consistency in company policy and promote integration in the group."

Daimler-Benz's net profit last year rose from DM 1.1bn io 1984 to DM 1.68bn. The group increased production hy 4.4 per cent to 220,215 commercial vehicles of which 70,525 were made outside West Germany.

Mr Henrichs says the company's worldwide commercial vehicle output will be slightly higher this year following the launch of the new Dusseldorf T2 (4.6 to 7.5 tonoes) van range and new bus range.

Truck sales in the oil-producing countries are expected to decline even further, however, so production at the Woerth truck plant will not he stepped up.

Daimler-Benz is the world's largest producer of trucks over 6.5 tonnes gross weight. Production in West Germany of 6-to-15.9 tonnes trucks in 1985 was 34,080 (up from 32,690) and 31,330 trucks over 16 tonnes were made (down from 35,320).

Output in Brazil last year rose by 13 per cent to 33,010 vehicles while Freightliner's production in the US was up 1.8 per cent to 20,950. Mr Henrichs says Brazilian output has risen strongly so far this year hut, in view of the downturn in heavy truck demand in the US, Freightliner's production will remain at about the 1985 level.

In 1985 commercial vehicles contributed DM 19.6bn of Daimler-Benz's total turnover of DM 52.4bn, up from DM 18.4bn and DM 43.5bo respectively.

The group speot DM 1.7bn on car and commercial vehicle research and development and capital expenditure for commercial vehicle facilities alone reached DM 441m.

Kenneth Gooding

Export efforts increased

Profile

Hino

HINO MOTORS is Japan's largest producer of heavy trucks. Its other products include diesel engines, buses, special-purpose vehicles and passeoger cars — the last in conjunction with Toyota. Hino considers itself part of the Toyota group, although Toyota's shareholding is only 11 per cent.

The relationship has yielded valuable benefits to Hino in enabling it to spread the costs of available production capacity. The two companies have also shared research and development costs, while Toyota's presence in some overseas markets has eased the way for expansion by Hino.

Subcontract assembly by Toyota — along with buoyant exports to Taiwan, China and Australia — supported valuable gains in 1985 results, but current prospects are gloomy.

Sales for the six-month period to September 30 are reported to have fallen by 16 per cent to Y200bn ($1.2bn) with pre-tax profits down by 33 per cent at Y3bn ($18m). This sharp reversal in the company's fortunes is blamed on the ascent of the yen, which has undermined export earnings.

Yen denominated shipments account for 90 per cent of Hino's total exports.

Profits have suffered as a result of continued demands for price cuts by importers, while sales to China have collapsed and domestic demand continues to be sluggish. For the year to next March pre-tax profits are expected to reveal a 28 per cent deficit at around Y5bn on sales down 15 per cent to Y400bn.

Output of Hino trucks and buses in 1979 reached a peak of 76,500 units on buoyant demand from domestic operators. Exports that year fell back as the company diverted it supplies in an attempt to meet the surge in home demand.

As demand in Japan fell over the early 1980s, however, Hino stepped up its efforts to penetrate markets overseas. At the same time the company lifted its production of smaller passenger cars and trucks for Toyota to a level where this business accounted for one-third of annual turnover.

It has three factories in Japan — Hino, Nitta and Hamura. The Hino factory is an integrated plant for diesel trucks. A machine factory and foundry are located at the Nitta works and the Hamura assembly plant turns out passenger cars, pick-ups and light vans for Toyota. Hino produces over 80,000 engines a year at its Hino plant. Over 30 different types are made and small-batch techniques employed at the Nitta components facility have proved successful. Besides engines, Hino produces its own transmissions, axles, cabs and other main components while simpler parts and minor components are supplied by subcontractors.

From Toyota, Hino has learned and developed advanced manufacturing techniques, suitably modified for commercial vehicle production. "Just in time" sourcing of components and flexible manufacturing methods were incorporated at an early date.

In this way, Hino's manufacturing strategy has been modified to meet the highly diversified requirements of the truck operators.

More than 1,000 models are now produced. Export orders are particularly diverse, with 40 per cent requiring delivery of vehicles which are produced at a rate of fewer than 10 units per month. To reduce overheads and ease flexible manufacturing practices, Hino has made it a priority to incorporate and modify its machine tools in-house.

Strongest in the heavy sector, Hino maintains a 30 per cent share of Japan's overall truck market but it has been overtaken by Isuzu's successful N-series in the three to four tonnes sector. The accessible markets of South East Asia recently accounted for the main share of exports following the fall in demand from the Middle East, but ambitious projects are under way aimed at a new international perspective.

Foremost in the company's sights is the US market. After earlier joint venture talks with Ford fell through, Hino agreed a deal in 1984 with Lisa Enterprises, Florida, for initial assembly of 500 trucks in the five to seven tonnes payload range. The production target for 1985 was 800 vehicles, rising rapidly to 1,500 per year. Cabs and chassis are shipped from Japan with fuel tanks, batteries, automatic transmissions and tyres bought locally.

A US network of 80 dealers is to be increased to 100 by next March and from November a new Class 5 truck is to be imported. The company expects sales of around 1,000 of the new Class 5 unit, which with existing Class 6 and 7 models should push total sales up to 2,500 next year.

Ian Robertson

Hopes in joint company

NO COMPANY has done more towards the restructuring of Western Europe's truck industry than Iveco, the Fiat-owned group. Having established production facilities in Italy, West Germany and France during the past 11 years, the company put the final piece of the jigsaw into place in July by taking over the Ford heavy truck operations in Britain.

Bruised by the unprecedented severity of the competition, Ford has lost more than £100m on heavy truck production in Europe in the past five years. It said it had no hope of covering the huge investment it faced to replace its current range of Cargo trucks in six to 10 years' time.

But Ford still needs a full range of commercial vehicles for its dealer network and the deal with Iveco, already Western Europe' second-largest truck producer, will give Ford, more cheaply, access to a future product programme.

For Iveco the attraction is a long-sought power base in the UK.

Together Ford and Iveco have to the past accounted for 25 per cent of the UK heavy truck market and, if all goes well, Iveco Ford Truck might regain and hold this share and market leadership.

Their arrangement involves a new joint company in which each has a 48 per cent stake with the rest in the hands of Credit Suisse First Boston, the London merchant bank.

Iveco Ford Truck has a turnover of about £300m a year. It has a paid-up capital of £40m, most of which was spent to acquire Ford's factory at Langley, Berkshire, where the Cargo range is produced.

The merger is restricted to the UK where a unified network of 117 dealers has been set up selling both companies' vehicles. Within that total, 51 are designated specialist heavy truck dealers and sell vehicles of 28 tonnes gross weight and over.

Iveco Ford Truck supplies Cargoes to Ford dealers in continental markets but the vehicles will not go to the Iveco network which remains separate.

The arrangement also excludes the Ford Transit van, although some heavyweight versions of the Transit are sold through the joint-venture network.

Either partner can give two years' notice that it wants to sell out from 1992 onwards or when Cargo production ends—whichever comes first.

All 1,200 employees at the Langley plant were offered jobs with the new company which has set up its headquarters at Watford where about 200 are employed.

Iveco was formed in 1975 to bring together the commercial vehicle interests of Fiat—including OM and Lancia in Italy and Unic in France—and Magirus in West Germany, then owned by Kloeckner-Humboldt-Deutz, the engineering group.

Now the Langley plant has been added, Iveco has 15 factories under its production umbrella. Mr Giorgio Garuzzo, the managing director, says: "The advantage of being an international company, a truly international one, has the intrinsic disadvantage of an organisational and production set-up which is far more demanding.

"The addition of Langley means we are not simply adding another plant—we are also

Profile

Iveco

adding a new manufacturing location in a new major European country.

"This is something we are proud of but something which certainly is adding more managerial stress at a moment when we could be getting our breath back after Iveco's return to reasonable profitability following some years of loss and restructuring costs. But we believe the association of Iveco with Ford is worth the effort."

Iveco Ford should remain Britain's biggest truck producer and exporter. Output of the Cargo range, 17,360 in 1985, and exports, 7,180, should increase slightly this year and next.

Mr Garuzzo says there is no question of switching Langley's component supply away to other sources. Ford plants at present supplying Langley with components and assemblies for the Cargo, chiefly at Dagenham, Swansea and Leamington, will continue these operations which represent a small part of their total output.

There are about 400 other suppliers to Langley, of which around 40—including such heavyweights as Lucas, GKN, Rockwell and Eaton—already do business with Iveco. Mr Garuzzo says: "A good supplier is an asset for any assembler and Iveco hopes to find some good new ones among the 360 it does not know."

However, he will give no long-term guarantees about employment at Langley. If Iveco Ford Truck is reasonably successful, though, Iveco will continue to need the capacity at Langley when Cargo production ends but not necessarily for truck assembly operations—Mr Garuzzo points out.

Iveco's financial performance has been chequered but now the company is firmly in the black. Mr Garuzzo predicts that Iveco's net profit this year will show an increase of about 50 per cent on the 1985 level. Last year the company, which is registered in Amsterdam, reported a net profit of Fl120m following a Fl395m loss in 1984.

The profit recovery has been achieved in spite of a drop in exports and severe competition in Western Europe which together will cut Iveco's output of vehicles over 3.5 tonnes gross weight this year from 89,000 in 1985 to 85,000.

The fall in unit sales, coupled with the drop in the value of the dollar — Iveco invoices 15 to 20 per cent of sales in dollars — will restrict turnover to about last year's Fl8.9bn.

Iveco will not consolidate the first six months results of its new joint company in the UK. Mr Garuzzo says Iveco Ford Truck will draw up its first set of accounts, containing all the start-up costs, after six months.

So far the UK company is developing exactly as planned but Mr Garuzzo is not yet prepared to forecast when it will be profitable.

This year is the first for some time when Iveco will not have to face extraordinary losses arising from rationalisation.

The pace of cost-reduction measures has slowed, points out Mr Garuzzo, and the workforce this year has remained about the same in total—34,500—but the group break-even level of output has been reduced from 120,000 in 1980 and 90,000 in 1985 to 80,000.

All the major Iveco companies will be profitable in 1986, including Unic in France for the first time in several years.

Iveco is the biggest producer of diesel engines in Western Europe and output this year is expected to rise by 8 to 10 per cent from last year's 256,000 units.

In the US, where Iveco sells the Z-range light trucks, shipments to dealers this year will fall slightly from 3,600 in 1985 because Japanese producers have now entered Iveco's market niche there.

Mr Garuzzo says both capital expenditure, Fl195m last year, and research and development spending, Fl270m, will show a 10 per cent increase in 1986.

Kenneth Gooding

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A difference in attitude, which means that while other people are sitting thinking, DAF Trucks have actually got up and done something.

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DAF Trucks, a company that's totally committed to the transport industry.

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IT'S THE DAF DIFFERENCE

Tough message on losses

THE RENAULT group is still in a state of shock at the death of its chairman, Mr Georges Besse, shot in the street near his home in Paris last week. But it is unlikely that the policy he laid down, that "every Renault subsidiary and every subsidiary's subsidiary must be profitable," will be changed.

That message is ecnoed by Mr Philippe Gras, the tough new broom at the groop's truck subsidiary, Renault Vehicules Industriels (RVI).

"It is not my business to protect employment or to protect poor suppliers hut to save the truck industry in France," he says.

"To do that I hava to behava lika anyone else in a well-managed corporation. If the French want their truck industry to be as sound as the German truck industry, we in France must follow the same criteria as the Germans."

Mr Gras, formerly commercial director of RVI, took over as chairman early last year after the group had reported a record FFr 3bn loss.

He immediately focused his attention almost entirely on the problems associated with the appalling financial results. RVI still had too many people on the shopfloor and on its staff; it had too many production sites; inventories were too large; the subsidiaries in Spain and the UK were losing too much money; and tha company was making too many of its own components.

Mr Gras has had some success. RVI redneced its first-half loss from FFr 800m to FFr 460m this year and is on course to cnt the full-year deficit from FFr 1.5hn to FFr 1bn.

He is sure that RVI will be profitshla by 1988 even if no changes are made to the balance sheet which is top-heavy with debt and means the company has to find between FFr 400m and FFr 500m of annnal interest payments.

There remains one major thorn in RVI's side: the UK subsidiary, Renault Truck Industries, the former Dodge Trucks concern, is not heading towards break-even as it should be.

So its future is being reconsidered by a new management team headed by Mr Herve Guillaume, RVI's commercial director, as chairman, and Mr Francis Cousins, 40, brought in from the group's Belgian subsidiary as managing director.

Mr Guillaume says the Dunstable-based RTI, in which RVI has invested about £100m in the past five years, must be brought back to profit—but 1988 seems the earliest likely year.

Last year RTI reduced its loss to about £7.5m compared with £10.2m in 1984.

RVI decided to huy its way into the UK truck market because it is the largest in Western Europe, he points out. But it would be wrong to attempt to impose typically French vehicles on UK customers. So the French group will continue to sell British trucks to the British. That is why there are 140 designers and engineers employed by the UK subsidiary, Mr Guillaume says.

Both Mr Guillaume and Mr Gras emphasise that RVI was equally worried about its truck-building subsidiary in Spain only two years ago. But the Spanish government provided money for a volnntary redundancy programme which cut the workforce by 500 to 2,000

Profile

RVI

to help put the company on the road to recovery.

Soma old-fashioned components used by the Spanish subsidiary, such as cabs for heavy trucks, are being replaced by modern ones supplied from France. In exchange, the Spanish company is becoming the sola supplier of some components to the whole RVI group.

Mr Gras says the Spanish offshoot is now making a net profit—" although we still lose money on the trucks we sell to the Spanish company so there la an overall loss to the group."

He adds: "Two years ago we were worried about Spain but it turned round. Before we contemplate extreme solntions (in the UK) let's do what we did in Spain."

It is reasonable to assume that some of Mr Gras's complaints abont the British subsidiary are aimed at the unions in France as much as the UK employees. For in France he has just instituted another job-reduction programme which will involve a further 2,625 going by the end of 1987 to take tha number employed down to 19,000.

This follows a cut of 2,550 jobs in 1985—"people left because we put on intense pressure and just plain fired soma with the approval of the Ministry of Labour." A separate early-retirement programme saw anothar 500 peopla leave in the first six months of this year.

Mr Gras says this is part of a drive to get costs down and productivity np. RVI carried out 100 different studies to compare its own operations with those of competitors in truck-building, component production, forging and foundries, to see what was reqnired to improve its competitiveness.

RVI's policy does not involve the closure of any major facilities but it is shntting down the less-efficient operations within plants and transferring the work to more effective locations. Because RVI emerged from a merger of two major French truck companies, Berliet and Saviem, there is still considerable duplication of work within the varions factories.

The latest restructuring programme should reduce RVI's hreak-even level of output from about 48,000 vehicles a year to 40,000 (a figure which does not include the US associate, Mack Trucks). Productivity will improve so that truck output per employee per year, 2.07 in 1984 and now 2.6, will be well over three by the end of 1987.

RVI's truck production this year will he about 4 per cent below the 34,515 in 1985 (including between 5,000 and 6,000 exported to tha States for sale as Mack Midliner models). Mack'a output should be about tha same as last year's 28,270.

RVI owns 45 per cent of Mack, which has been going through its own rationalisation programme inclnding a move from an old-fashioned to a new factory.

RVI wants Mack to finish "cleaning house" before there are further discussions about cooperation, he adds. In the meantime, RVI is developing facilities in France to supply Mack: a foundry for cylinder blocks is already under way.

Last year RVI aigned a letter of intent with the Rockwell group of the US for the joint development of truck gearboxes, but the prospect of this going ahead "is zero," according to Mr Gras. Tha Rockwell deal is "dying quietly without much emotion on either side."

However, RVI would be interested in similar joint ventures. Mr Gras believes they will become more easy to arrange as RVI's financial health improves.

He insists RVI has never cut back its investment programme in spite of its financial problems. Spending on new prodncts is equivalent to 3 per cent of sales—turnover last year was FFr14.5hn—and overall research and development expenditure 5 per cent of sales.

Meanwhile, RVI will continne to protect its near-40 per cent market share in France, a level necessary to keep the dealer network in reasonable shape, in spite of the price war which has raged there for some years.

Kenneth Gooding

Strong effort in the US

Profile

Volvo

FOR THE second time in five years Volvo Truck Corporation of Sweden has taken advantage of the weakness of domestic producers in the US to drive determinedly into that important market.

Volvo is to take over the heavy truck operations of General Motors, the world's biggest automotive group, in the States—where it has already established a solid foothold.

In 1981 Volvo paid $75m for the assets of the bankrupt White Motor, including three factories (in Virgina, Ohio and Utah) and calculated it would cost another $75m to get the White organisation back into shape.

Mr Sten Langenius, president of Volvo Truck, says that since February 1984 the business, now renamed Volvo White, has been profitable.

Now Volvo White and GM are in the process of merging their heavy truck operations in a way which will give the Swedes majority ownership and operational control.

Volvo White's stake in the joint venture, Volvo GM Heavy Truck Corporation, will be at least 65 per ceot; it will be based on Volvo White's Greeoboro, North Carolina, headquarters.

It is understood that GM will pay an estimated $50m to $75m for its stake and will also put in its heavy truck operations at Pontiac, Michigan, but not the light or medium truck business or the GM bus divisioo which it hopes to sell separately.

Both Swedish and US governments have given the necessary approvals and the new joint-venture company should begin operating early oext year.

A second joint veoture, to distribote beavy trucks in Canada, is also to be established.

GM looked for a partner because it was unwilling to put op the money to replace its ageing, 12-year-old American heavy truck range in view of the expected low rate of growth in demand it expects for the forseeable future.

On the other hand, Mr Langenius insists that Volvo needs to be represented in the US heavy truck market, which is aboot the same size as Western Europe's, because his company must have volume to cover the cost of its commitment to vertical integration.

Volvo believes it must produce all the key elements in a truck's driveline (engine, gearbox, axles) "because that makes for a better, more-effective truck."

Mr Langenius suggests: "There is no way an integrated producer can be viable without a presence both in the US and Europe to spread the development costs over bigger volumes of output."

Last year Volvo White increased its share of the US heavy truck market (over 16 tonoes gross weight) by more than eoe percentage point, from 6.7 to 8.4 per cent, with deliveries up from 10,800 to 13,200 and the level of profitability "was satisfactory."

Volvo White reported a net profit of $30m for 1984 following a $25m loss for the previous year. Mr Langenius says that the subsidiary has now reached the point which it has recouped all the $60m losses incurred since 1981.

The merger gives tha joiot veature a potential US heavy truck market share of 15 to 16 per cent, potting it into the same league as Mack (now under management control of Renault of France) end Paccar, whicb produces the Peterbilt and Kenworth trueks, and ahead of Deimler-Benz's Freightliner subsidiary with its 13.5 per ceot.

But it would still be soma way behiod the market leader Navistar, better known by its former name of International Harvester, which accounts for about 21 per cent of total sales.

Mr Langenius says the deal represents "a great opportunity to strengthen our dealer network." Volvo White has about 220 US dealers while GM has 310 dealers and branches.

He stresses Volvo is treating the deal as a very long-term project. "It will certainly not pay nff in the first two years with restructuring and transition costs. It will take some years before it will pay off in a good way."

In the US Volvo is not trying to force its integrated drivelina philosophy on unreceptive customers (although it did sell 2,600 Swedish-built Volvo trucks in the States last year).

White trucks and the Autocar vehicles which Volvo White also produces in the States, are still sold with engines, transmissions and axles from independent suppliers—as is the case with tha vast majority of US heavy trucks.

However, some White trucks with Volvo engines installed are already operating on trial io some big US fleets. Mr Langenius says that all future White trucks will be designed to incorporate key Volvo components.

Eventually this should help spread research and development costs which are accelerating. Volvo Truek spent SKr 800m in 1984 and SKr 1.1bn last year. Mr Langenius estimates the bill will rise by another SKr 50m to SKr 75m in 1986.

Volvo's philosophy is to produce all its engines and axles in Sweden while assembling a large number of trucks elsewhere.

Currently the Volvo diesel engine factories are working seven days a week on two shifts and that way recover the heavy investment necessary if the company is to continue to develop and produce its own power units.

While production of the key components cannot be fragmented and spread around the world, it makes economic sense to assemble vehicles in other countries because, among other things, there are savings to be made in transport costs.

Sten Langenius: great opportunity.

Volvo produced 11,200 trucks in Sweden last year (down from 12,100 the previous year because a new family of trucks, the FL range, was being introdnced) 11,200 in Belgium (11,900 in 1984) 10,800 in the US (10,100) and 8,000 (6,700) in other countries, mainly Brazil and Australia.

The company increased its shareholding in Volvo of Brazil last year and it is now a subsidiary. Tha Brazilian factory, at Curitiba, set up io 1980, delivered about 7,000 trucks last year and every fourth heavy truck sold io Brazil is a Volvo.

Volvo trucks are assembled in two factories in Iran and the company's ability to do barter deals with the help af a sister Volva subsidiary enabled it to deliver 3,200 in the Middla East last year, down from 5,900 io 1985 and the 12,000 sold as recently as 1982.

Volvo says its worldwide truck ootput this year will be "slightly up."

Volvo Truck's operating income fell from SKr 1.122bn to SKr 921m in 1985 because of the cost of introdocing the oew FL truck models which account for about half the range.

The Corporation "could do a little better financially in 1986," Mr Langenius believes, but he points out "price competition is still very bad, particularly in the US."

Kenneth Gooding

Future in the melting pot

Profile

Leyland

THE FUTURE of Leyland Trucks, the state-owned UK company, is back in the melting pot once again. At this time last year the management was finalising plans for a merger with Bedford, the General Motors' subsidiary in Britain, which was intended to place both companies on a sounder footing.

There would bave been considerable pain—the most likely outcome would have been the closure of Leyland's Scammell specialist heavy vehicle production centre at Watford, Hertfordshire, as well as the Freight Rover van operations in Coveotry.

Bedford's truck operatious at Dunstable also seemed destined to be removed to Leylaod's modern facilities in Lancashire with inevitable redundancles.

However, the proposed merger founded oo British chauvinism. The sala of the Land Rover company to GM was an integral part of the proposed deal bot this aroused such a pnblic outcry that tha UK Governmeot said the US group could not buy the four-wheel-drive business after all.

GM withdrew in February and a few months later announced that it had decided to quit medium and heavy truck manufacturing in Britaio. So Bedford is to close at the end of this year.

The political opheaval cansed by the Land Rover-Leyland debate in the early part of 1986 was followed by a major management shake-up for BL, Leyland Trucks' parent group. The most important change was the replacement of Sir Austin Bide, the non-executive chairman, by an execntive chairman and chief executive: Mr Graham Day, formerly chairman of British Shipbuilders.

Subsequently both Mr David Andrews, the executive director responsible for BL's commercial vehicle division, Land Rover-Leyland, left the company, along with Mr Ray Horrocks, executive director in charge of the cars operations.

Mr Day, Mrs Thatcher's personal choice and very much s hands-oo manager, has reorganised BL, now renamed the Rover Group.

He has become chairman of Leyland Trucks and Mr George Simpson is managing director while continuing as chief executive of the Freight Rover company (which also has Mr Day as chairman).

Mr Les Wharton, former chairman and chief executive of Leyland Vehicles, has become managing director of Austin Rover, the group's cars company.

Mr Day made it clear et the time of the new appointments that he much admired Mr Wharton's achievements with Leyland Vehicles. "He has done a first-class jnb in the domestic truck market. If he had not, we might have gone out of business instead of Bedford."

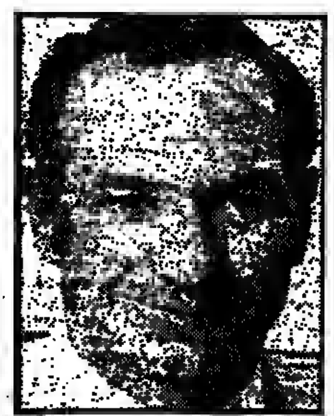
Two other important decisions have already heen made: Rover will sell the Leyland Bus business to a management-led consortium but will retain Land Rover, at least for tha time being.

In 1985 Leyland Vehicles (which included buses as well as trucks) reduced its operating loss from £61m to £52m on turnover up from £430m to £461m. A substantial improvement by the truck operations was partially offset by a further deterioratioo in the bus business.

The Leylaod Vehicles' operating loss continued to improve in the first half of this year, from £33.7m to £23.5m, once again because of the hetter performance by Trucks.

Mr Simpson, the new managing director, is drawing op a strategic plan for Leyland Trucks and, among other important decisions, must coosider whether the company should continue with its own engine development and production.

The idea of giving np engine production—the beart of any vehicle — is considering heresy by many other truck manufacturers, but Mr Simpsoo says it is open to doubt whether a company of Leyland's size—producing abont 10,000 trucks a year—can afford the investmeot required.



George Simpson: strategic plan

He admits, however, that e truck manufacturer gains much from having its own engine production, particularly from the lucrative spare parts and replacement parts business.

The company employs 1,100 at its engine plant at Leyland, Lancashire. It has for some years used engines from outside suppliers for its low-volume, heavyweight trucks.

Recently it started buying a special version of the new Cummins B-series engioa, made io Darlingtoo, for the Roadrunner.

The Cummins engine will also be osed io the Leyland Freighter Trucks, thus further rednclng demand for Leyland's own 98-series engines. These were prodoced at Bathgate, west of Edinburgh, a factory finally closed in April after e three-year phase-ont period.

In contrast, the Albion axle factory in Glasgow has been the subject of a £9m investment programme. Mr Simpson says it is an efficient and viable plant which can survive in spite of the loss of potential business which would have heen availabla if the Bedford merger had been completed.

Mr Simpsoo expects Leyland to win a good part of the 10 per cent UK market share given up by Bedford, which produced abont 5,000 medium and heavy trucks last year.

A start has been made with ao order worth £20m—the biggest single truck order received by Leyland for some years—from Bunzl Trasportation which bas a fleet of 1,300 vehicles, mostly Bedfords. These will be replaced by Roadrunners over the next three years.

Another key element in the Leyland Truck survival plan will be collaborative veotures. An important start has beeo mada with a deal for DAF Trucks of Holland to distribnte Roadrunner trucks and Sherpa vans produced by the Freight Rover sister company.

DAF expects to sell about 2,000 vans and light trucks produced in the UK through its 500 dealers in cootinental Europe next year.

DAF will sell special versions of the vehicles in the Netherlands, Belgium, Luxembourg, West Germany, France, Italy, Austria and Spain, starting in January. Sales are likely to be split three to two in favour of the Sherpa vans.

Mr Simpsoo says that if all goes well, DAF, which is 25 per ceot ownad by tha Dutch government, eventually might sell 4,000 vans and 2,000 Roadrunoers a year through its cootinental network.

This is ooe way for Leyland Trucks to tackle cootineotal markets in which it has made very little headway so far. The company has bad to rely too beavily on its highly competitive home market since its traditional export markets in Africa have closed down through lack of funds.

Mr Simpson says: "We must consider whether we can afford more marketing on the cootinent or more collaboration."

Kenneth Gooding

Firing on all cylinders again

One of MAN's new F90 38-tonne vehicles.

MAN Commercial Vehicles, West Germany's second-largest heavy truck producer, is firing on all cylinders again and recovering fast from the traumatic events which forced the company — and its parent GHH (Gutehoffnungshütte) — to change direction violently.

Mr Wilfried Lochte, chairman, says the company did much better in the financial year which ended on June 30 than in 1984-85 when it reported a DM32m profit. The progress towards complete financial health will be even quicker in 1986-87, he suggests.

MAN plunged into losses — totalling DM477m in the two financial years to June 1984 — but, in spite of this setback, it did not cut its investment programme.

So the company was able to crown its recovery in June with the launch of heavy trucks called the F90.

MAN invested DM250m in the F90 trucks which have entirely new cabs, chassis and suspension systems and, according to Mr Lochte, will play a crucial part in the company's drive to boost its share of the West European market for trucks over 15 tonnes gross weight from the current 7 per cent to 10 per cent within three years.

The company has travelled a long way since 1981 when Iraq without warning cancelled an order for 1,900 heavy trucks, most of them already built by MAN because of the tight original delivery schedule. That blow brought MAN to its knees.

The trucks were not ordinary production models and were unsaleable in Europe. MAN had to sell them off at give-away prices.

At the same time, MAN, in common with the rest of Western Europe's heavy truck industry, faced a recession caused by the steep drop in demand from the oil-producing countries and a halving of European sales between 1980 and 1983.

MAN had to act quickly to put its house in order. It rationalised production and cut costs to reduce the break-even level of output to match expected demand.

By the middle of 1984 the programme had reduced the MAN Commercial Vehicle workforce by 25 per cent, or 6,000 jobs, to 17,500.

The break-even point has been cut to 15,000 trucks a year — a level to which MAN's output dropped only once in the past 11 years (after the collapse of the Iraq deal).

Last calendar year, output of trucks over 15 tonnes was 19,395, up from 15,534 in 1984, and Mr Lochte says there will be an increase to 20,380 this year. MAN's production peaked at 27,000 heavy trucks in 1981.

While MAN was still in a weakened state early last year, General Motors of the US came knocking at the door of the GHH parent group offering to acquire the truck operations.

GM, the world's largest automotive business, was seeking a way to improve its position in

Wilfried Lochte: wants to participate.

Profile

MAN

the European truck business by finding a partner for its British subsidiary, Bedford.

The MAN truck executives were not keen on the idea of a GM takeover and, although both sides took a long, hard look, there seemed no areas where Bedford and the German group could cooperate either.

Help was at hand from Daimler-Benz, the Mercedes group, which did not relish the prospect of GM picking up MAN and with it 16 per cent share of the West German heavy truck market—plus a network of 900 dealers and service points across Europe from Spain to the UK.

To help MAN over its temporary shortage of cash, D-B offered to buy its rival's half-share in MTU (Motoren-und Turbinen Union) which makes very large diesel engines, for about DM500m.

MAN'S profit on the deal, DM128m, showed up as an extraordinary item in the 1984-85 results.

MAN'S fall into losses and the GM episode showed GHH, West Germany's major mechanical engineering group, that it needed to take a tighter grip on its 75 per cent-owned subsidiary.

Consequently, it took full control via a share swap and followed upon by reorganising the merged group into eight divisions. As part of this latter process, the truck and bus operations of MAN have been split off as a separate company, MAN Commercial Vehicles.

The chairman of the new division, Mr Lochte, says that in future MAN CV will concentrate on Western Europe as its main market and aims before long to sell 80 per cent of total production in this "domestic" territory. The dealer and service network will be built op to about 1,000 as part of the process.

Currently sales to the Middle east, once MAN's major export market, are minimal as cash for imports has dried up in those countries.

Similar currency shortages have brought MAN's project to assemble trucks in China with a local partner, Norinco, almost to a halt. In the past two years MAN exported more than DM100m—worth of built-up trucks and kits to China and Mr Lochte insists: "We want to participate in that market and will persevere."

For the time being MAN has shelved the idea of exporting trucks to North America. It has been looking at the possibility of selling in America the medium trucks from its joint project with Volkswagen.

Tha whole future of the joint venture with Volkswagen has been under consideration because tha original cootract, signed lo 1979, was due to end oext year.

VW and MAN cooperated to develop and build trucks between 6 tonnes and 10 tonnes to fill the gap between the top eod of VW's commercial vehicle range and the bottom of MAN's.

The partnars originally hoped for output of joint-venture vehicles to reach 15,000 a year, with 10,000 for export. But productiou has oever heen above 5,000. Last year the joint venture sold 3,700 vehicles and Mr Lochte says the total should go ebove 4,000 in 1986.

The joiot venture is now marginally profitable and the partners have renegotiated their deal so that all production will take placa at MAN's Saltzgitter factory, near Hannover, whereas it has been shared with VW's Hannover plant in the past.

Under tha terms of the original contract, VW insisted that 70 per ceot of assembly be completed at Hannover.

MAN and VW are also holding discussions with Enasa about the possibility of supplying the joint-veoture trucks to the state-owned Spanish Group. The vehicles might even be assembled in Spain but final details of any deal will not be known until at least the and of this year.

Mr Lochte acknowledges that, for a medium-sized truck prodocer to survive, it must be involved in cooperative ventures.

Apart from the VW deal, MAN has a joint project with the Eatoo Corporation of the US for the development, production and marketing of snme heavy truck axles. This scheme is on schedale, says Mr Lochte, and last month the two companies signed the manufacturing agreement.

Kenneth Gooding

All major UK truck manufacturers install British-built Cummins diesels.

Leyland, Iveco-Ford, ERF, Seddon Atkinson and Foden all fit Cummins engines.

The reasons are simple. For over three decades Cummins has consistently held the lead in diesel technology. By reducing weight and so, increasing payload. By improving durability and reliability. And by gaining greater fuel efficiency.

Cummins has invested over £100 million in its three British engine manufacturing plants in recent years, making them amongst the most modern of their type in the world.

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This is only part of why diesel power means Cummins power.

If you would like more information on Cummins including a copy of our current Annual Report, please write to: Roger Wilsdon, Cummins Engine Company Ltd., 46-50 Coombe Road; New Malden, Surrey KT3 4QL. Tel: 01-949 6171.

BRITISH BUILT DIESELS

New Technology

Computer monitoring spreads further

ON THE OUTSIDE, a truck built today does not look much different from one built 10 or even 20 years ago. In fact, it is very different, and new technology is coming in so quickly that trucks built in 1990 will make 1980 designs looks really primitive.

There is, perbaps, one outward sign—vehicle shapes have changed to quite a degree in recent years as more and more attention is paid to aerodynamics. By the use of aerodynamic aids, dramatic improvements in fual consumptioo have been achieved.

As in other spheres, however, it is principally computer and micro-chip technology which has hrought, and is still bringing, massive hut significant "undar the bonnet" changes.

The whole industry is involved, from components manufacture to the final product. Ironically, in view of its loss-making situation, Leyland is, arguably, the most far advanced on this road in Europe.

Leyland's TX450 "concept" vehicle, revealed at the Motor Show in Birmingham, is a three-axled truck (two steering axles and one driven) bristling with new technology, some of which is already available on production vehicles of hoth Leyland and its main competitors.

Mr Peter Capon, product engineering director for Leyland Trucks, explaining why TX450 was developed, says: "The computer-based information revolution is affecting all aspects of business life and the transport industry is as much affected as any other industry by office automation and associated oew practices such as 'just in time' inventory control.

"The implications for the driver will also be far reaching as, essentially, he or she will becoma more like an airline pilot, controlling the vehicle rather than driving it. Computers will take care of the rest."

The main features of the TX450 are an extruded and bonded alnminium chassis frame, adaptive air suspension which is indepeodent at the front, electronically-controlled hrakes, a computer-hased vehicla monitoring system and Leyland's continuously variable transmission.

Six ioterlinked computers are used to ruo almost every aspect, from engine management through security systems to seat adjustment, vehicle weighing, delivery scheduling and transmission control. In additioo, there is provision for computers on board the vehicle to communicate with other compnters, for instance, at the operating base, to give informatioo on the vehicle, its load, delivery schedule and operational condition.

Advanced electronics have, of course, played a hig part in the rapid development of anti-lock braking systems which are considerably reducing the bazard of large vehicles skidding under heavy braking through wbeel lock-up, wlth Westinghouse, Lockheed and Lucas Girling moving ahead strongly in this area.

By 1990, too, there will be very few new commercial vehicles coming on the roads without ashestos-free hrakes. Publicity given to the health hazards associated with asbestos accelerated research into alternatives with the result that new, asbestos-free brake lining materials which, in fact, last mnch longer and produce better braking performance are rapidly replacing the conventional material.

Brake manufacturers also seem to have cracked many of the problems at ona time associated wlth fitting disc hrakes to heavy vahicles (heat dissipation, premature faillng and short life) with the result that an increasing number of dalivery vehicles particularly, are appearing with dlsc hrakes.

Aluminium chassis for trucks are not new; they have been around for 20 years or more. Now, for TX450, the application development department of British Alcan Aluminium has designed and huilt a monocoque tubular chassis. According to British Alcan, this provides several times the stiffness of a traditional steel ladder frame design and yet shows a 50 per cent weight saving.

Adhesively-booded hollow extrusions provide deep rigid side members. These, together with the large box assembly cross members, minimise flexing and allow air suspension fitted to the vehicle to operate under optimum control.

In the past 10 years, automotive diesel engines have made rapid advances, largely through turbocharging and aftercooling and the applicatioo of improved combustion techniques. As a result, fuel consumption bas improved by an across the board 25 per cent, and noise and exhaust pollution have been markedly reduced. Now, new developmants are carrying things forward still further, notably by the use of advanced electronics to control diesel fuel injection.

As might be expected, therefore, TX450's Leyland 300 engine producing 160 hhp, is not only turbocharged and charge-cooled hut employs electronic fuel injection.

The injection system is Lucas CAV's Epic (electronic programmad injection control) system which is ooe of the world's first purpose-dasigned electronic diesel fuel injection pumps. Lucas CAV points out that by linking Epic engine coatrol and the Leyland continuously-variable transmission (CVT), full use of an electronic driveline management cootrol system is demonstrated.

Timers io both the Epic ECU and the CVT controller watch for responses from each other and take appropriate action to shut down safely in the event of a failure. Everything in the operation is checked six times a second.

Development of Leyland's CVT has hinged on the application of advanced micro-processor based equipment. It comprises three main components: a variator, capahle of giving an infinitely-variable ratio range withio pre-determioed limits; an epicyclic section to provide reverse, neutral aod forward ratios: and the critical feature, a micro-processor-based controller.

Together with the engine, they form a power transmissioo system which ensures that the engine can ha continually operated at its most efficient output for given period demands; the traosmissioo, in short, controls the power output to give the desired vehicle performance.

It is in this area of transmissions, not only to Leyland but with both other chassis manofacturers' own gearboxes and those of the leadiog proprietary suppliers, that electronics are really coming ioto their own.

The use of automatic shifting features on mechanical gearboxes is no longer at the innovatioo stage. Many manufactnrers have submitted applications for patents covering a variety of differeot solntions. Vehicles equipped with this type of gear-changing device are already on the road.

Scania has done a great deal of work oo prodnciog its compnter-aided gearbox (CAG), as a result of the rapid pace of development in control and computer technology, so as to simplify the joh of changing gear as well as selecting the most economical gear for tha road conditions.

The Scania shift compnter has a programmed seqnence in memory telling it which gear to suggest to tha driver to ensure optimum fuel economy.

Other vehicle manufacturers such as Renault and MAN, have their own programmes hut it is the proprietary gearbox makers—ZF, Voith and Renk in Germany and Dana Spicer, Detroit Diesel Allison and Eaton based in both the US and Europe for this purpose, who are front runners.

Examples of electronic power shifting (EPS) were to be found on three Mercedes 450 hhp tractor units at the Birmingham Show. EPS was applied to a ZF Ecosplit gearbox to allow the driver to select the gear appropriate to engine and road speed. Again, Eaton with the help of electronics and programmed servo mechanisms has upgraded a simple gearbox into a semi-automated one.

Testing of the SAMT (semi-automated mechanical transmission), as it is called is being conducted not only by Eaton but also by MAN. The SAMT is based on Eaton's 12-gear twin splitter gearbox which itself has greatly simplified gear shifting by featuring a four-speed twin-countershaft front box with a three-speed auxiliary splitter unit giving a total of 12 forward speeds.

The SAMT takes things a step forward; tha gear level is replaced by a simpla switch or lever which can be fitted conveniently within easy reach, to either the steering column or the dashboard. The only time tha clutch pedal needs to be activated is during starting and stopping; all other gear changes are signalled by the driver using the switch, with a visnal display unit indicating the gear ba has requested, as well as the next gear available to him.

Sensors then inform the system about engine revolutions and road speed as well as gear, clutch and throttle positions which are fed into a micro-processor to complete the gear change requested.

Eaton has on hand a further development where the clutch pedal is eliminated altogether; a switch controlling totally the gearbox operations. This is the AMT (automated mechanical transmission).

Use of computers in transmissions is not confined to gear shifting. Voith has announced an on-board diagnostic system (ODS) for its automatic transmission which incorporates a computerised control which reacts to certain defects and certain conditions prevailing in the transmission to prevent damage and prolong maintenance intervals. Another German maker, Renk of Augsburg, has developed a similar system.

On this question of diagnostics, Leyland—this time initially with Leyland Bus—is on front with a fault diagnosis and condition monitoring system called Fleetcheck. The operating conditions of individual components, notably the engine and functions like the air system for the brakes, can be monitored to diagnose faults at an early stage and before they become major ones.

In Leyland's TX450 design, this is taken a stage further by fitting an on-board computer which is programmed in BBC Basic.

Eric Gibbins

Leyland's TX450 concept vehicle with its on-board computers. Research into truck aerodynamics has resulted in substantial fuel savings.

More cab systems to help drivers

REFINEMENTS IN cab design and control systems, helping to relieve the truck driver of physical and indeed mental fatigue, have in many—though not all—instances, kept pace with more fundamental advances in commercial vehicle engineering.

Though improved seat comfort, lower cab noise and reduced gearchange lever effort do not contribute directly to operational cost savings, they undoubtedly make for happier drivers.

This realisation that the influences on the truck buyer now extend well beyond the supply of quality product, is beginning to bear fruit in quite new directions. Reducing the chores of the delivery driver can of course raise the level of job satisfaction, which can bring in its train an enhancement of customer relations, where drivers make contact with the consignee's personnel.

Hitachi UK has recently reorganised its distribution system to make use of trucks with demountable (interchangeable) bodies on rigid chassis and drawbar trailers. The company attaches great importance to the role of its drivers as Hitachi "ambassadors" when making deliveries to High Street electrical retailers. So much so that, at considerable on-cost, it has specified fully-powered body swap equipment.

The Hitachi driver literally need not get his hands dirty in demounting one 24 ft body and picking up another. The whole operation is controlled from inside the cab push buttons, relieving the driver of the need to fold and stow the often dirty and wet body support legs in unpleasant weather conditions.

Making the driver's job less onerous is a laudable aim for transport companies and, in turn, for the maker or supplier of the vehicle. We are now seeing the big truck manufacturers diversifying from their traditional roles as providers of vehicle hardware and, through their franchised dealers and distributors, after-sales parts and service support.

Ford was the first company to introduce a successful "extra-curricular" back-up service, in the mid-1970s. It was called FOCAS, standing for Ford Operating Cost Analysis Service.

Its aim was to monitor, and record on computer, the running costs of individual trucks or vans in a fleet and then quickly to identify departures from the norm which highlighted faults, mechanical or administrative, and "rogue" vehicles or drivers.

Mercedes-Benz (UK), whose parent company in Germany had for some years run operator advice schemes, then introduced a package of consultancy services for British users of its vans and trucks. These have expanded in scope, in line with Mercedes' growing penetration of the UK commercial vehicle market.

Recently the company has added a scheme to its transport consultancy portfolio which aims to compile an optimum vehicle specification for any given truck or van operation.

Cummins, the diesel engine maker, tried to launch such a service for British heavy truck operators for selecting the optimum engine and transmission package over 15 years ago. But interest proved minimal, probably because fuel costs in particular were of rather academic interest before the 1973-74 oil crisis.

At this year's Birmingham Motor Show, Mercedes took one step further in extending the manufacturer's sphere of influence, as part of a broad philosophy intended to make transport users identify ever more closely with the manufacturer.

The new MB-Assistant package of computer-based operator services is, in other words, designed to cement customer loyalty.

For the driver undertaking multi-drop distribution deliveries, the most exciting development is the use of an on-board computer, comprising a "black box" mounted between the seats. Its own VDU display screen is incorporated into the truck's dash panel.

A tape cassette containing all delivery information—traditionally detailed on several different items of paperwork—is given to the driver when he begins his spell of duty.

As soon as he steps into the cab he inserts the cassette ito the truck's on-board computer. Full details of his first delivery (address, consignment identification and so on) appear on the dashboard display, enabling him to proceed on his way immediately.

When the vehicle makes each drop, the on-board computer prints out the delivery note or invoice for that consignment. A datachable hand-held terminal is part of the computer installation in the cab; it can be "unplugged" by the driver and carried with him into the customer's warehouse or office, where he can use its mini-keyboard to record additional data.

During the journey all delivery data, with timings of drops, are recorded on the cassette tape, which is removed from the on-board computer at the end of the trip and handed in to the depot traffic office.

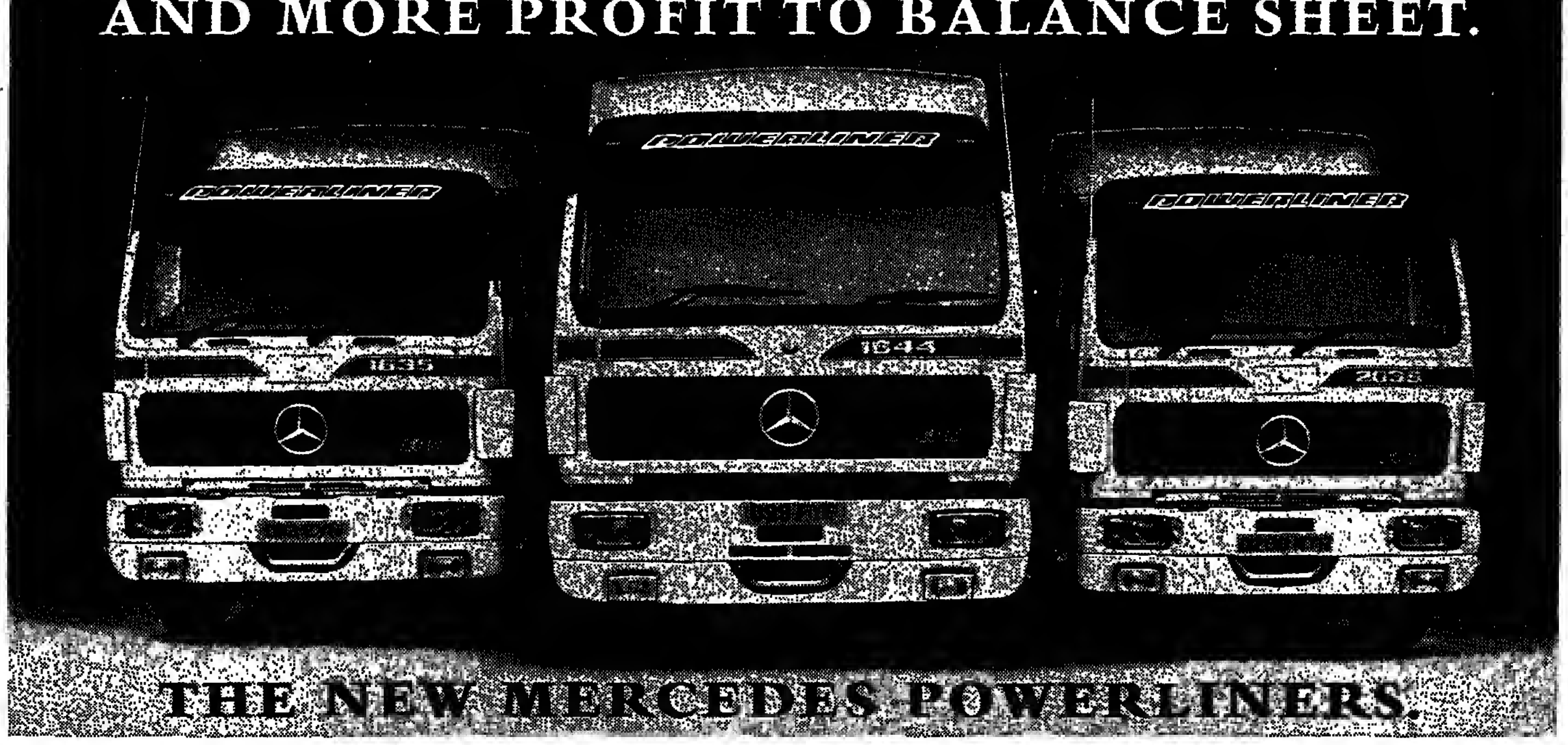
Until now, computer-based distribution aids have come from specialist bureaux like the National Freight Consortium offshoot Freight Computer Services. But vehicle makers, led by Mercedes, are muscling in on the act, as a means of strengthening customer support.

Computerised route-planning is likely to bring one of the greatest benefits for drivers, who often have to work out their own routes, to fit in with delivery restrictions and unforeseen delays through traffic congestion.

Applying new technology to the problem, routes can be scheduled, for the driver's use, as easily read print-outs.

Alan Bunting

THE MOST EFFICIENT WAY TO TRANSFER MORE POWER TO ROAD. AND MORE PROFIT TO BALANCE SHEET.



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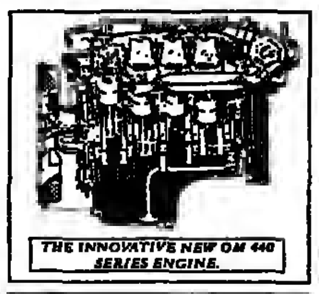
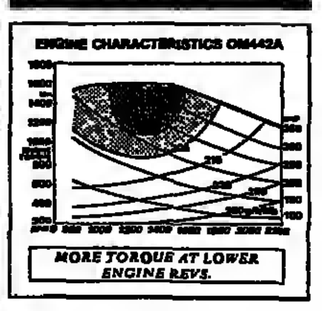
■ THE INTEGRATED POWER TRAIN ■

IN THE NEW MERCEDES; THE TRANSFER OF POWER AND TORQUE FROM ENGINE TO ROAD IS ACHIEVED WITH MAXIMUM EFFICIENCY. THIS HAS BEEN ACHIEVED BY CLOSELY MATCHING THE THREE KEY COMPONENTS – ENGINE, GEARBOX, AND REAR AXLE – TO PROVIDE SUPERB ACCELERATION AND HIGHLY EFFICIENT HIGH SPEED CRUISING WITH MINIMAL STRESS AND REDUCED FUEL CONSUMPTION.





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